



Cairngorms National Park Authority

Internal Audit Annual Report (DRAFT)

April 2010

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Introduction

As Internal Auditors, our role is to provide the Audit Committee, Board and Management with independent assurance as to the adequacy and effectiveness of the systems of internal control, risk management and governance we review and to report weaknesses identified together with recommendations for improvement. We fulfil this role by performing appropriate audit work in accordance with the annual internal audit plan approved by the Audit Committee.

Management should be aware that our internal audit work is performed according to the Institute of Internal Auditors – UK and Ireland Standards and HM Treasury Government Internal Audit Standards (GIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

Similarly, the assessment gradings provided in our Internal Audit reports are not comparable with the International Standards on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

This annual report summarises the overall results of our internal audit work programme undertaken in respect of the financial year ended 31 March 2009. We have presented our Annual Internal Audit Statement on page 6.

We can confirm that the agreed core internal audit plan for 2009/10 has been completed and that no priority one issues have been identified during the course of our reviews.

The enforcement review has been deferred to 2010 at the request of the Head of Corporate Services.

Further work requested this year included an effectiveness review of the Planning function within the organisation. This included a review of the Committee structure, staffing structure and a comparison with relevant local authorities and Loch Lomond and Trossachs National Park. The fieldwork has been completed on this review and the draft report will be issued shortly.

Our follow up work on the recommendations arising from the prior year is summarised on page 5.

Executive Summary

Our work in 2008/09 has included seven internal audits (two of which were additional reviews outwith the core audit plan), covering both financial and operational areas. During these internal audits, we raised 14 recommendations, none of which have been categorised as priority one. 20 recommendations were raised in 2007/08, and 22 recommendations were raised in 2008/09. None of the recommendations raised were categorised as priority one.

In 2007/08 and 2008/09 many of our recommendations focused on financial and operational areas across the organisation. This trend has continued in 2009/10 with our recommendations again having a focus on both operational management control areas and financial control areas. This can be illustrated in the recommendations raised during 2009/10 in relation to our reviews of Brand Management, the National Park Plan review, Budgetary Control and HR Appraisal process.

We have also been active in assisting the organisation with additional projects. The Head of Corporate Services requested the Leader Project Review as EC Regulations require an annual internal audit of the project process. We have also undertaken a planning effectiveness review.

Summary of Work Undertaken During Year

Financial Management Processes

Reviews were undertaken across budgetary control and partnership finance arrangements under the delivery of the National Park Plan

Number of Projects	2
% Effort Split	30%

Follow Up

Our follow up work included update and assessment of action taken for all recommendations raised in 2008/09 as well as any outstanding recommendations from 2006/07 and 2007/08.

Number of Projects	1
% Effort Split	1%

Internal Audit Coverage

Operational Processes

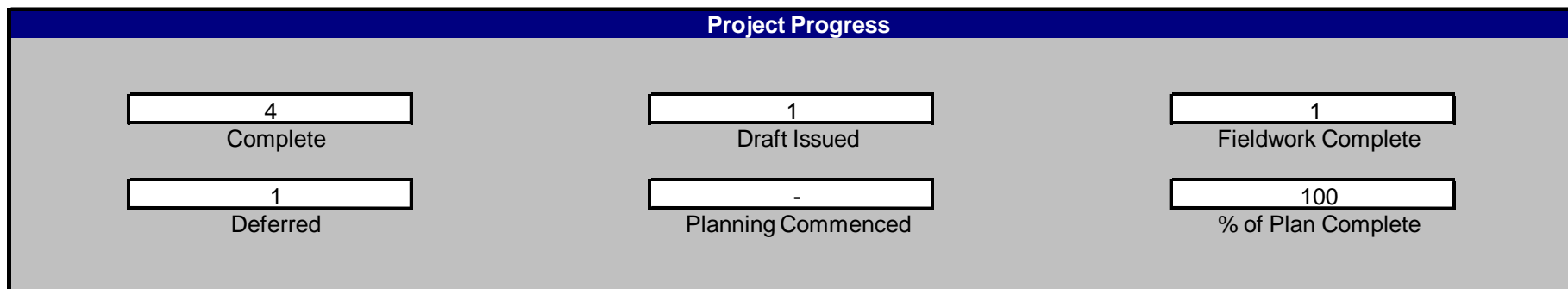
Our operational internal audits made up the largest single area of reviews undertaken this year. These were primarily reviews of brand management, HR Appraisal processes and the planning effectiveness review.

Number of Projects	4
% Effort Split	58%

Results of Work Undertaken in 2009/10

A summary of the results of each of our projects during the year is outlined below.

Audit Area	Review	Status	Budget Days	Total Input	Number of Findings		
					P1	P2	P3
Financial Management Processes	Budgetary Control	Final Report Issued	5	5	0	0	1
Legal Regulatory and Business Risk Management	HR Appraisal Processes	Final Report Issued	4	4	0	0	4
	Enforcement	Deferred	4	0	-	-	-
Operational Reviews	National Park Plan Delivery and Partnership Funding	Draft Report Issued	14	11	0	4	1
	Project Management - Brand Management	Final Report Issued	5	5	0	0	4
Follow Up	Follow Up 2008/09	Final Report Issued	2	2	-	-	-
Contract Management	Audit Committee Planning and Attendance	Complete	5	5	-	-	-
Additional Work	Planning Effectiveness Review	Fieldwork Complete	25	25	-	-	-
	Leader Review	Planning Commenced	2	0	-	-	-
			66	57	0	4	10



- We have not identified any priority one recommendations during our internal audits in 2009/10.

Follow Up on Prior Year Recommendations – 2006/07, 2007/08 and 2008/09

The organisation operates an internal system of follow up on progress of prior year recommendations. The Head of Corporate Services reports to every Audit Committee on the progress of both Internal and External Audit recommendations. This is supplemented by an annual internal audit of recommendations that have not been followed up in the course of operational testing

A summary of the results of our follow up on **2006/07, 2007/08 and 2008/09** recommendations is outlined below.

2006/07 - 2008/09 Reports	Priority One	Priority Two	Priority Three	%
Implemented / No further action required	0	14	7	68
In Progress	0	6	4	32
Outstanding	0	0	0	0
TOTALS	0	20	11	100

The table detailed above represents the findings from our follow up exercise on the remaining recommendations requiring follow up from 2006/07 and 2007/08 and all recommendations raised in 2008/09. The follow up work in respect of the remaining recommendations will be addressed in a further follow up exercise as part of our 2010/11 internal audit plan.

Our work shows that no recommendations remain outstanding and no priority one recommendations have been raised in 2008/09.

10 recommendations remain in progress, six of which are priority two recommendations. These relate to the finalisation of business continuity plans, the linkage of the risk register to expenditure justification forms, therefore embedding risk management in working practice, the availability of information via SGRPID, the introduction of a cash logbook and a review of IT security arrangements. These will continue to be followed up by ourselves and management on an ongoing basis.

Annual Statement to the Audit Committee

Report to the Audit Committee

As Internal Auditors, we are required to provide the Audit Committee with an Annual Internal Audit statement. Cairngorms National Park Authority and its management are responsible for ensuring that a system of control, financial and otherwise, is established and maintained. This is in order to carry on the operations of the organisation in an orderly and efficient manner, to ensure adherence to management policies, to safeguard the assets, and to secure, as far as possible, the completeness and accuracy of records. Our responsibility as internal auditors is to evaluate significant systems and processes and associated internal controls and to report to the Audit Committee on the adequacy of such controls and systems. We cannot examine the whole system of controls, financial or otherwise, nor is internal audit a substitute for management's responsibility to maintain adequate systems of internal control over financial or operational systems.

Finalised management responses are still to be agreed on one report and fieldwork is to commence on the Leader review. These are both additional reviews outwith the core plan and we do not at this time anticipate raising any additional matters that would cause us to revise this Statement.

The number and priority of the recommendations that we raised during the year are summarised on page 4.

In considering our opinion on the framework of controls we have taken the following into consideration:

- all internal audits undertaken during the year
- the balance of probity work against review of management arrangements and value for money work
- follow up action taken in respect of previous years' internal audit work (see page 5)
- our perception of the extent of 'control awareness' amongst staff.

On the basis of work undertaken in the year ended 31 March 2010 we consider that Cairngorms National Park Authority generally has an adequate framework of control over the systems we examined as summarised on pages 1 to 5 (subject to implementation of the recommendations). In providing such an opinion we would draw to your attention our summary findings as presented in our individual reports issued throughout the year.

We take responsibility for this report, which has been prepared on the basis of the limitations set out on page 7.

Statement of Responsibility

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte LLP
April 2010

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