

**MINUTES of MEETING of the
AUDIT COMMITTEE of**

THE CAIRNGORMS NATIONAL PARK AUTHORITY

**held at Albert Hall, Ballater
on 22 April 2010**

Present:

Eric Baird (Chair)
Lucy Grant
Fiona Murdoch

Sue Walker
Ian Mackintosh

In Attendance:

David Cameron, Head of Corporate Services
Alistair Hight, Finance Manager
Lisa MacDonald, Deloitte
Stephen O'Hagan, Audit Scotland

Apologies:

Jane Hope, Chief Executive

Minutes of Previous Meetings

1. With reference to item 5 of the minute, members noted the rationale for pursuing a single tender reflected a combination of specialist knowledge and the commissioning of additional work which built upon earlier activity delivered by a specific contractor. Other than this addition, minutes of the meeting held on 22 April 2010 were approved.

Matters Arising

2. Members discussed the authority's activities with regards to procurement, relating both to the development of processes and procedures and to the capacity of the organisation to pursue objectives such as encouraging local food businesses through local procurement. David highlighted that the general approach to procurement and tender evaluation did seek to address issues of general sustainability in delivery of contracts. With regard to the capacity to seek to encourage the use of specific items such as locally sourced products and services, the Authority needed to be careful to ensure that its procurement processes remained open and that the requirement to incorporate certain elements did not appear anti-competitive.
3. David agreed to bring a paper to Committee on the overall approach to procurement, probably towards the end of 2010 or early 2011, once there had been reasonable opportunity to consider findings from the Scottish Government Procurement Capability Assessment and from that develop draft procurement policies to balance

Scottish Government and legislative requirements with local and National Park objectives.

Report on 2009/10 Accounts: Accounting Policies (Paper 1)

4. Alistair Hight presented this paper, which sought approval from the Committee on revisions to the Authority's accounting policies in order to reflect the requirements of International Financial Reporting Standards (IFRS) rather than the previous UK GAAP requirements.
5. Members discussed the proposals and in particular the policies around making accruals for employee benefits – leave, flexitime and TOIL outstanding at the year end. Alistair clarified that there was no consequential impact on cash from this accrual. The policy reflected in the accounts the value of these benefits being carried forward between financial years. Staff were not being paid for these benefits in lieu of taking the time off work.
6. **The Committee agreed the revised accounting policies for inclusion in 2009/10 accounts.**

Internal Audit Review: Brand Management (Paper 2)

7. Lisa MacDonald presented Deloitte's report on their internal audit review of the Authority's arrangements for management and administration of the Cairngorms National Park (CNP) brand. This review had been agreed as part of the internal audit programme, following agreement with the Head of Corporate Services on the priority risks being managed by the Authority.
8. Lisa highlighted that the review overall found only minor aspects of current operations which may be improved. Current practices in 4 of 7 control areas were found to accord with best practice and were operating satisfactorily. Recommendations were primarily around the administration and follow-through of procedure rather than overall management of the brand.
9. Members discussed the report in depth and focused in particular around a concern that while individual recommendations may be relatively minor in priority, there was felt to be a risk that a failure to pursue particular aspects of brand administration or process could lead to quality issues significantly undermining the brand. Lisa responded that from the perspective given by the internal audit work there was some assurance that in many instances informal checks on quality issues around brand management and usage were undertaken. However, these checks did need to be more formally documented and communicated.
10. It was also highlighted in discussed that in exceptional circumstances there may be significant pressure brought to bear on staff to award the brand for some deadline – whether a publication or event. Members agreed that while the Authority had to continue to be responsive, any exceptional awards should be formally documented and signed off and by senior staff.
11. The Committee also agreed the potential to undertake a risk-based sample of brand use for formal follow-up rather than require a policy of 100% follow-up should be investigated.

12. **Members agreed the report and endorsed management responses. Members thanked Lisa for her work in producing the report and in supporting a very helpful discussion.**

Internal Audit Review: Budgetary Control (Paper 3)

13. Lisa presented the internal audit report following Deloitte's review of the Authority's budgetary control arrangements.
14. Lisa highlighted the internal audit conclusion that controls in place were operating effectively, with no major areas for improvement identified. A single minor recommendation had been reported, to update Financial Regulations to better reflect actual practice on approval of requisition forms, with the actual practice providing adequate control levels.
15. **Members agreed the report and endorsed management responses.**

Internal Audit Review: HR Appraisal Processes (Paper 4)

16. Lisa presented the report on Deloitte's review of the Authority's HR Appraisal processes.
17. Lisa highlighted that in 8 of 9 control areas, arrangements accord with good practice and operated satisfactorily. One area for improvement related to the control and timely submission of relevant documentation.
18. Members enquired whether the area highlighted for improvement reflected a focus of managers on delivery of operational goals rather than a priority on managing staff relationships. David Cameron responded that he felt the opposite may well be the case – that in practice managers met and informally discussed matters with staff much more frequently in the Authority than he had experienced in other organisations. Hence there was a potentially a sense amongst managers that the documentation of the appraisal meetings and targets was less important than within organisations that had less contact between managers and staff.
19. **Members agreed the report and endorsed management responses.**

Internal Audit Follow Up of Prior Year Recommendations (Paper 5)

20. Lisa MacDonald presented the follow-up by Deloitte on action taken by the Authority to implement recommendations made in previous reports.
21. Lisa highlighted that there were no recommendations outstanding. Work in 10 areas was ongoing, and in 21 areas was completed or required no further action.
22. **Members welcomed the report and the progress made by officers in implementing improvements.**

Internal Audit Annual Report 2009/10 (Paper 6)

23. Lisa MacDonald presented Deloitte's Annual Internal Audit Report for 2009/10. The highlight of the report was an overall assessment that the Authority generally has an

adequate framework of control, on the basis of work undertaken and systems examined in 2009/10.

24. The report also summarised the work undertaken over the course of the year, covering financial management and operational processes, and follow up activity, and set out that 100% of the audit plan had been completed.
25. **Members welcomed the report and thanked Lisa for its timely preparation which would assist with completion of the final accounts process.**

Internal Audit Plan 2010/11 (Paper 7)

26. Lisa presented the internal audit plan for 2010/11, following discussion and review of the strategic risk register with the Head of Corporate Services.
27. The internal audit plan set out proposed reviews on corporate governance effectiveness, pensions and payroll, financial controls, project management, planning enforcement and follow-up activity.
28. **Members agreed the internal audit plan for 2010/11.**

Strategic Risk Register (Paper 8)

29. David Cameron presented the Authority's Strategic Risk Register, following consideration and update by the Management Team in March.
30. **Members discussed the paper and agreed:**
 - **Item 18 should be refined to focus on non-tourism business as other risk entries covered tourism aspects;**
 - **Item 23 should be removed as it was covered in full by action on item 10 – planning enforcement;**
 - **Item 27 should be enhanced to recognise the remaining risk around the fractional nature of representation of tourism businesses within the National Park.**

Update on Internal Audit Activity

31. Lisa MacDonald reported that the internal audit review of Planning was ongoing and that it was intended to report on this in summer 2010.
32. Members requested that sufficient time should be made to ensure the report could be discussed at appropriate length. Members felt it was unlikely that the issues arising from the report could be given due consideration within the normal scheduled meeting time. Following discussion, David Cameron agreed that once a timetable for issue of the report was clearer, he would arrange for an additional meeting of the Committee to consider the Planning report as a single item meeting.

2009/10 External Audit Plan – Final (Paper 9)

33. Stephen O'Hagan presented the Audit Scotland final audit plan for the audit of the 2009/10 accounts. This had been considered in draft form by the Committee at its meeting in December 2009.

34. Stephen highlighted that the timetable set out in the plan sought to achieve the Scottish Government's deadline, communicated to the Authority. To lay final signed accounts in Parliament by 31 July 2010.
35. **The Committee endorsed the Audit Scotland plan, including the fee for the year.**

2009/10 External Audit Progress Report (Paper 10)

36. Stephen O'Hagan presented an update on Audit Scotland's activities. In addition to the matters covered under the previous paper, this report highlighted that the Authority had submitted a set of draft IFRS based accounts by the deadline of end of November 2009, which had been reviewed with 2 minor points to first time adoption disclosure and cash flow presentation raised.
37. The report also highlighted the publication of two national performance studies – Protecting and Improving Scotland's Environment, and Improving Public Sector Efficiency.
38. **The Committee thanked Stephen for the update.**

Any Other Business

39. None.

Date of Next Meeting

40. 25 June, 9:00am, Ballater – for final accounts.