

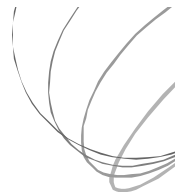
# **Cairngorms National Park Authority**

**Audit Plan 2006/07**

**Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Executive and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.**

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# Summary Plan

## Summary of planned audit activity

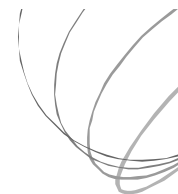
Based on our analysis of the risks facing Cairngorms National Park Authority, our planned work in 2006/07 includes:

- an audit of the financial statements and provision of an opinion on whether:
  - they give a true and fair view of the state of affairs of the Authority;
  - the income and expenditure for the year were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers; and
  - the accounts have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made by Scottish Ministers.
- a review and assessment of the Authority's governance and performance arrangements in a number of key areas including the adequacy of internal audit.

## Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to Cairngorms National Park Authority (CNPA) in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the Authority's financial statements. This report summarises the key challenges and risks facing CNPA and sets out the audit work that we propose to undertake in 2006/07. Our plan reflects:

- the risks and priorities facing CNPA;
- current national risks relevant to local circumstances;
- the impact of changing international auditing and accounting standards;
- our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland; and
- any issues brought forward from previous audit reports.



## Our responsibilities

2. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.
3. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance, regularity and the organisation's use of resources. In doing this, we aim to support improvement and accountability.
4. In carrying out our audit, we seek to gain assurance that CNPA:
  - has good corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability;
  - has systems of recording and processing transactions which provides a sound basis for the preparation of financial statements and the effective management of its assets and interests;
  - prepares financial statements which are true and fair and in accordance with the Public Finance and Accountability (Scotland) Act 2000, the Financial Reporting Manual (FRoM) and Directions from Scottish Ministers;
  - has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption;
  - complies with established policies, procedures, laws and regulations; and
  - has made proper arrangements for securing best value in its use of resources.

## Audit Approach

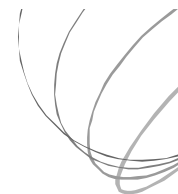
5. Our audit approach is based on an understanding of the characteristics, responsibilities and principal activities, risks and governance arrangements of CNPA, and identification of the key audit risks and challenges in the central government sector generally. This approach includes:
  - understanding the business of CNPA and the risk exposure which could impact on the financial statements;
  - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements;
  - identifying major transaction streams, balances and areas of estimation, understanding how CNPA will include these in the financial statements and developing procedures to audit these;



- assessing the risk of material misstatement in the financial statements, in conjunction with our evaluation of inherent risk, the control environment and control risk as part of our risk assessment; and
  - determining the nature, timing and extent of our testing programme to provide us with sufficient appropriate audit evidence as to whether the financial statements are free of material misstatement.
6. Through this approach we have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2006/07 includes:
- comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff;
  - clear responsibilities for provision of accounts and working papers being agreed;
  - delivery of unaudited accounts to agreed timescales with a comprehensive working papers package; and
  - completion of the internal audit programme for 2006/07.
7. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. Internal audit is provided externally by Deloitte and Touche. We seek to rely on the work of internal audit wherever possible and, as part of our planning process we carry out an early assessment of the internal audit function.
8. A review of internal audit is currently being completed. This will examine the status, staffing, planning, procedures and management of the internal audit service, as well as examining the planned scope and coverage of the internal audit assignments. We plan to take assurance from their work and as a result intend to place reliance on Internal Audit for the areas set out at Appendix C.
9. At the completion of the audit we will provide the Accountable Officer with an Annual Report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

## **Format of the Accounts**

10. The financial statements should be prepared in accordance with the FReM and Accounts Directions signed by Scottish Ministers. The FReM sets out the principles applicable to the accounting and disclosure requirements for the annual report and accounts which bodies covered by resource accounting are required to prepare annually.



## Responsibility for the Preparation of Accounts

11. It is the responsibility of CNPA and the Chief Executive as Accountable Officer (appointed by Scottish Ministers), to prepare the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions signed by Scottish Ministers. This means:
- acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
  - maintaining proper accounting records;
  - preparing financial statements timeously which give a true and fair view of the financial position of CNPA and its expenditure and income for the period ended 31 March 2007; and
  - preparing an Annual Report, including Management Commentary and Remuneration Report.

## 2006/07 Audit Issues and Risks

12. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues. We have listed a number of issues which may impact on the financial statements this year.
- **Year end accounting** – omission of accruals, prepayments and any other items during the manual processes for preparing various account figures;
  - **Grant-in-aid** – revised accounting requirements for 2006/07;
  - **Bank reconciliations** – controls over the timely completion and checking of bank reconciliations during the year; and
  - **Payroll** – controls over the amendment and updating of data in the system.

## Materiality

13. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
14. International Standard on Auditing 320 states that, *“information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of item or error judged in the particular circumstances of its omissions or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful.”*



15. When considering, in the context of a possible qualification, whether the uncorrected misstatement of an item, or a number of items taken together, is material in terms of its monetary value, we use professional judgement, experience and internal guidelines from peers as broad guidance in regard to considering whether the results of tests of detail are material.
16. An item may be judged material for reasons other than its monetary or quantitative value. An inaccuracy, which would not normally be regarded as material by amount, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, an item contrary to law, or areas affected by central government control). Again we use professional judgement, experience and internal guidelines from peers to determine when such matters would fall to be covered in an explanatory paragraph, rather than as a qualification to the audit opinion.

## Reporting Arrangements

17. CNPA's Management Statement requires accounts to be laid before Parliament within nine months of the year-end i.e. 31 December. In order that the Resource Account of the Scottish Executive can be presented to Parliament by the statutory deadline of 31 December all bodies which will be consolidated into those resource accounts must submit their accounts by an earlier date as part of the consolidation timetable of the Scottish Executive.
18. As the accounts have to be signed by the relevant officers and by the appointed auditor, Stephen O'Hagan – Senior Audit Manager, prior to submission, it is critical therefore that a timetable is agreed with us for the production of the unaudited accounts. An agreed timetable for the audit of the financial statements is included at Appendix A of this plan, which takes account of submission requirements and audit resources.
19. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the Accountable Officer and relevant senior manager to confirm factual accuracy. Responses to draft reports are expected within four weeks of submission.
20. A copy of all final agreed reports will be sent to the Chief Executive, relevant senior manager, Internal Audit and Audit Scotland's Public Reporting Group.
21. We will provide an independent auditors report to CNPA and the Auditor General that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an opinion on those financial statements. An annual report to CNPA will also be produced to summarise all significant matters arising from the audit and overall conclusions about CNPA management of key risks.
22. All annual reports produced by Audit Scotland are published on our website: ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)).





23. The full range of outputs to be delivered by the audit team are summarised below:

<b>Audit Area(s)</b>	<b>Target Delivery Date</b>
<b>Planning</b>	
Audit Plan	23 March 2007
<b>Governance</b>	
Internal Controls	30 April 2007
<b>Financial Statements</b>	
Report to Audit Committee in terms of ISA 260 (Communication of audit matters to those charged with governance)	10 August 2007
Independent auditor's report on the financial statements	6 October 2007
Annual report to the Accountable Officer and the Auditor General for Scotland	31 October 2007

## Quality control

24. We are committed to ensuring that our audit reflects best practice and demonstrates best value to CNPA and the Auditor General for Scotland. We operate a strong quality control framework that seeks to ensure that your organisation receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client; in your case this is, Lorna Meahan, who is responsible for ensuring that our work is carried out on time and to a high quality standard.
25. The local audit team will be managed by Stephen O'Hagan, supported by Pauline Gillen who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience/skills of our team are provided at Appendix B. The core audit team will call on other specialist and support staff, as necessary.
26. As part of our commitment to quality and continuous improvement, we may periodically seek your views. We would be grateful for any feedback on our services.

## Fees and resources

27. Our agreed fee for the 2006/07 audit is £10,100 comprising a local audit fee of £9,000 and a fixed charge of £1,100. Our fee covers:
- all of the work and outputs described in this plan;
  - a contribution towards the costs of national performance studies and statutory reports by the Auditor General;
  - attendance at audit committees and key board meetings;

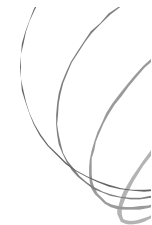


- access to advice and information on relevant audit issues;
- access to workshops/seminars on topical issues; and
- travel and subsistence costs.

28. In determining the agreed fee we have taken account of the risk exposure of CNPA and the management assurances in place. We have assumed receipt of the draft accounts and working papers by the end of June 2007. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any work or other significant exercises not within our planned audit activity.



9 March 2007



# Appendix A:

## Financial Statements Audit Timetable

Key Stage	Date
Testing and review of internal control systems and transactions	February – March 2007
Meetings to clarify with officers expectations of detailed working papers and financial system reports	March – April 2007
<b>Latest</b> Submission of Unaudited Financial Statements with Working Papers Package	2 July 2007
Progress meetings with lead officers on emerging issues	As required during audit process
<b>Latest</b> Submission of Management Letter on Financial Statements Audit	31 July 2007
<b>Latest</b> Date for Final Clearance Meeting with Finance Manager	6 August 2007
Report to the Audit Committee on the audit of financial statements (ISA 260)	10 August 2007
Accountable Officer to sign accounts	5 October 2007*
Independent Auditors Report provided	6 October 2007*
Annual Report to the Accountable Officer	31 October 2007

\*To be confirmed



# Appendix B:

## **Audit Team**

Summarised curricula vitae for each core team member are set out below:

### **Stephen O'Hagan CPFA, Senior Audit Manager**

Stephen has over 10 years experience of public sector audit with Audit Scotland, covering local government, health and the education sector. Prior to this, Stephen worked in local government finance for 5 years.

### **Pauline Gillen BA (Hons), Auditor**

Pauline has over 6 years experience in accounting and finance, in particular specialising in pension scheme accounting.



# Appendix C:

## **Reliance on Internal Audit**

Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. We therefore plan to place reliance on the work of internal audit work in the following areas:

- risk management;
- corporate governance; and
- financial controls and delegated limits of authority.