

Cairngorms National Park Authority

INTERNAL AUDIT REPORT - FINAL Business Performance Management July 2018

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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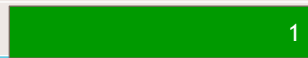
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DISTRIBUTION LIST	
David Cameron	Director of Corporate Services

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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II)	
Design	 There is a sound system of internal control designed to achieve system objectives.	High	
		Medium	
Effectiveness	 The controls that are in place are being consistently applied.	Low	 
		Total number of recommendations: 1	

OVERVIEW
<p>Background</p> <p>The purpose of our review was to provide management and the Audit Committee with assurance that Cairngorms National Park Authority (CNPA) has effective performance measurements and reports in place, and adequate and effective controls are maintained during the production of performance information to maintain the accuracy of the reports.</p> <p>The Corporate Plan for 2018-2022 was approved by Scottish ministers in March 2018 and sets out the strategic context which CNPA operates in and describes the four main aims set out by the Scottish Parliament:</p> <ul style="list-style-type: none"> • To conserve and enhance the natural and cultural heritage of the area; • To promote sustainable use of the natural resources of the area; • To promote understanding and enjoyment (including enjoyment in the form of recreation) of the special qualities of the area by the public; • To promote sustainable economic and social development of the area’s communities. <p>To support delivery of the long term outcomes set out in the plan based on those main aims, CNPA have set out 3 main themes - Conservation, Visitor Experience and Rural development. These are supported by two other themes - Corporate Services and Communication. Each theme has a number of priorities that CNPA will focus on delivering. To measure achievement of these priorities, CNPA set out indicators which they will measure and monitor performance against.</p>

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CNPA are involved in a lot of collaborative work, therefore, performance measures are rarely solely and directly controllable by the Authority alone. Their achievement often requires necessary collaboration and engagement by the Authority and their partners and therefore act as measures of the effectiveness of CNPA leadership and influencing, as well as effectiveness of the direct investment of finance and staff resources. The KPI's are established for the 4 year Corporate Plan period and are measured over different timeframes depending on the data source. Milestones and targets have been set.

Twice a year, the Director of Corporate Services coordinates an update for the Board to report on the progress of targets/objectives based on the KPI's. At the end of every year, a paper is presented to the Board focusing on delivery against KPI's and highlighting by exception any significant constraints, risks or shortcomings on planned delivery. Much of the information presented in this report comes from external sources for example "State of Scotland's Water Environment report" carried out by Scottish Environment Protection Agency. The Board reporting includes KPI's, the Baseline data, the relevant data source, the target measure, the measure date and status at the current time, and the lead officer for reporting. Part of the update includes an analysis of performance trends (both numerically and descriptively) and root cause analysis for targets that are not on track, in order for the Board to decide corrective actions.

Scope and Approach

The scope of this review was to assess whether:

- Robust management information was available to enable measuring and reporting on the achievement of all Cairngorms National Park Authority goals, targets and desired outcomes;
- Management information was compiled effectively and efficiently;
- Regular robust performance reporting was in place for the Executive Team and the Board which was effective in facilitating discussion at a management and strategic level;
- Performance trends were analysed and reported effectively; and

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- Performance measures were reviewed on a regular basis to determine whether these were effective in measuring the achievement of Cairngorms National Park Authority's goals, targets and desired outcomes.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We then sought documentary evidence that these controls are designed as described. We evaluated these controls to identify whether they adequately addressed the risks.

Good Practice

A number of areas of good practice were identified during our review:

- Variety of target types - CNPA have short, medium, and long term goals ranging from quarterly updates to measures reviewed after the 4 year corporate plan period is over.
- Measurable KPI's - We noted that the KPI's selected are all measurable in a robust and efficient way.
- Underlying systems - Testing showed that the information presented to the Board regarding KPI's is robust and can be traced back to the underlying systems.
- Board Reporting - The Director of Corporate Services reports to the Board twice a year regarding performance against KPI's. A general update is given after the first 6 months of the operational year and the second update is a full paper on performance including potential reasons for any shortfalls and changes that could be made.
- New measurements - CNPA regularly review how targets are measured, and improves this where necessary. For example, CNPA has in the past in-sourced data collection from a third party where it felt a measure was not reliable.

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Key Findings

We identified one area where control could be further improved:

Performance data sign offs - Performance data that is presented to the Board is not signed off by Heads of Service before being compiled into reports. Whilst we noted no issues with quality, this is usually considered good practice.

Conclusion

We are able to provide substantial assurance over the design and operational effectiveness of the controls in place relating to Business Performance Management at CNPA.

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RISKS REVIEWED GIVING RISE TO NO FINDINGS OF A HIGH OR MEDIUM SIGNIFICANCE

- ✓ Robust management information is available to enable measuring and reporting on the achievement of all Cairngorms National Park Authority goals, targets and desired outcomes
- ✓ Management information is compiled effectively and efficiently
- ✓ Regular robust performance reporting is in place for the Executive Team and the Board which is effective in facilitating discussion at a management and strategic level
- ✓ Performance trends are analysed and reported effectively
- ✓ Performance measures are reviewed on a regular basis to determine whether these are effective in measuring the achievement of Cairngorms National Park Authority's goals, targets and desired outcomes

DETAILED RECOMMENDATIONS





RISK:			
Ref.	Finding	Sig.	Recommendation
1	<p>Before performance information is sent to the Board, it is reviewed for quality.</p> <p>Our testing found that although sense-checks do occur, the Heads of Service do not sign off on the data prior to compiling and presenting the reports.</p> <p>This increases the likelihood that incorrect or unexplained information is presented to the Board.</p>	●	It is recommend that Heads of Service check that the data comprising the KPI's is correct, and approves it before it is included in any performance reports.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p>Recommendation accepted. We will build a process into the system to ensure that updates are signed off, either in writing or through covering email correspondence, to confirm that Heads of Service have completed a review of their KPI data prior to finalisation of the report.</p>			<p><i>Responsible Officer:</i> Director of Corporate Services</p> <p><i>Implementation Date:</i> December 2018</p>




APPENDIX I - STAFF INTERVIEWED

NAME	JOB TITLE
David Cameron	Director of Corporate Services
Daniel Ralph	Finance Manager

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

APPENDIX II - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX III - TERMS OF REFERENCE

KEY RISKS

Based upon the risk assessment undertaken, discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:


- There may not be robust management information available to enable measuring and reporting on the achievement of all Cairngorms National Park Authority's goals, targets and desired outcomes;
- Management information may not be compiled effectively and efficiently;
- There may not be regular robust performance reporting in place for the Executive Team and the Board which is effective in facilitating discussion at a management and strategic level;
- Performance trends may not be analysed and reported effectively; and
- Performance measures may not be reviewed on a regular basis to determine whether these are effective in measuring the achievement of Cairngorms National Park Authority's goals, targets and desired outcomes.

SCOPE OF REVIEW

The scope of this review will be to assess whether:

Robust management information is available to enable measuring and reporting on the achievement of all Cairngorms National Park Authority goals, targets and desired outcomes;
Management information is compiled effectively and efficiently;
Regular robust performance reporting is in place for the Executive Team and the Board which is effective in facilitating discussion at a management and strategic level;
Performance trends are analysed and reported effectively; and
Performance measures are reviewed on a regular basis to determine whether these are effective in measuring the achievement of Cairngorms National Park Authority's goals, targets and desired outcomes.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.



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