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## Cairngorms National Park Authority

### Project Management - COAT

Internal Audit 2010/11

May 2011

Strictly Private and Confidential

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Project Sponsor	David Cameron
Key Client Contact	Bob Grant

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# Cairngorms National Park Authority – Project Management - COAT

## Executive Summary

### Background

Cairngorms National Park Authority (CNPA) was established in September 2003 and the Park Authority became fully operational – taking on all its statutory powers – on 1 September 2003. At this point Cairngorms National Park Authority became an access authority and assumed all the powers and duties that arose out of the Land Reform (Scotland) Act 2003. Duties included in the Act are: to publicise the Scottish Outdoor Access Code; and maintain outdoor access; and develop an outdoor access strategy.

CNPA are subject to the Park Plan which details the strategic objectives for the Park. Included within these objectives is outdoor access and recreation. This was translated into a priority for action to provide high quality opportunities for outdoor access.

CNPA developed an outdoor access strategy – Enjoying the Cairngorms, which contains action themes which mirror those in the Park Plan. A model for delivering these actions already existed within the Upper Deeside & Perth and Kinross Access Trusts, existing to specifically develop access to the Park area.

The organisation that existed in the Park area at that time was Upper Deeside Access Trust (UDAT). In consultation with CNPA's Board and UDAT, the conclusion was reached that an access trust model was the most effective method to continue delivering this priority for action.

Separate meetings of the UDAT Board and CNPA Board agreed that UDAT be expanded to become a park-wide trust in order to deliver their actions across the park area. UDAT was dissolved and reformed as Cairngorms Outdoor Access Trust (COAT) with the Memorandum and Articles of Association of COAT approved on 1 April 2008.

COAT is a separate legal entity from CNPA. CNPA can appoint two Trust Directors as part of the agreed grant funding provided to COAT. A member of the CNPA Board and the CNPA Head of Corporate Services both sit on the Board of COAT. Another CNPA member of staff is part of the COAT Management Group. Representatives from other COAT funding bodies also have the right to have members on the COAT Board and/or Management Group.

Like other groups in the park, COAT is able to apply to CNPA for funding to deliver projects that help to achieve the strategic objectives documented in the National Park Plan. Approved business plans and links to park strategic objectives accompany requests for funding which are then considered for approval by the CNPA Board.

The table below documents the funding that CNPA has granted to COAT, the total funding received by COAT, and the CNPA grant funding as a proportion of the overall funding of COAT.

Financial Year	CNPA Grant Approved	COAT Total Funding	% Funding from CNPA
2008/09	£150,000	£340,000	44
2009/10	£180,000	£521,500	34.5
2010/11	£185,000	£773,500	24

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<b>Scope and Objectives</b>	We have undertaken a key controls review to ascertain the adequacy and effectiveness of the internal control environment in place over assistance provided to COAT. This forms part of our annual audit of operational areas within CNPA. A detailed scope is included at <b>Appendix A</b> .
<b>Approach</b>	Our approach was to document the systems and procedures in operation through discussions with relevant staff and the review of appropriate documentation. As well as discussions with key staff, a review of the minutes and Board papers of CNPA and COAT was undertaken. The key controls were then tested to determine their adequacy and effectiveness.
<b>Overview of Key Findings</b>	<p>The CNPA staff responsible for the oversight and management of the business delivery of COAT are knowledgeable about the requirements and processes associated with the goals and objectives of COAT and how they link to those of the Park. COAT is in receipt of ongoing funding, approved by the CNPA Board, as its objectives are in line with those documented in the National Park Plan. However, the overall reporting of the working relationship of the two organisations offers some scope for improvement.</p> <p>The finding arising from our work is summarised below:</p> <ul style="list-style-type: none"><li>• No reporting structures have been agreed in return for the offers of grant monies.</li></ul> <p>Based on the work performed over the control environment across the working relationships of CNPA and COAT, our overall assessment is that the current design and operation of controls is <b>Adequate</b>.</p>

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## Executive Summary

**Summary**

The following table summarises our findings by priority and nature. Our detailed recommendations for improvement are shown in the findings section.

Objectives	Total	Priority			
		Very High	High	Medium	Low
Rationale for the ongoing support	-	-	-	-	-
Linkage of objectives	-	-	-	-	-
Approval and funding	-	-	-	-	-
Ongoing assessment	1	-	-	1	-
Objectives are delivered and demonstrable	-	-	-	-	-
Governance arrangements	-	-	-	-	-
<b>Total</b>	<b>1</b>	-	-	<b>1</b>	-

<b>Very High</b>
<b>High</b>
<b>Medium</b>
<b>Low</b>

<i>Fundamental control weaknesses or opportunities identified.</i>
<i>Major control weaknesses or opportunities identified or a significant volume of important weaknesses or opportunities identified.</i>
<i>Important control weakness or opportunities identified or a significant volume of individual control weaknesses.</i>
<i>Minor control weaknesses or improvement opportunities identified, generally of a lower risk nature.</i>

A more detailed explanation of the above priorities can be found at **Appendix B**.

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## Appendix A: Detailed scope

Objective – There is appropriate ongoing assessment and upward reporting of progress against the objectives of the project.				
Finding		Recommendation	Rationale	
<b>1 – Reporting of progress</b>				
<p>No specific reporting procedures have been agreed with COAT. Offers of grant letters issued to COAT contain a clause stating; a report outlining how the business objectives have been delivered must accompany the final claim.</p> <p>Although these updates are contained in COAT Management Group minutes which are received by the management and Board members of COAT, we could find no evidence that such reports had been formally submitted to CNPA.</p>		<p>Where grants are paid to organisations that help achieve the objectives of the National Park Plan, the specific reporting requirements should be established at the outset and regularly reported.</p> <p>A report outlining how the business objectives have been delivered should accompany the final claim.</p> <p>CNPA should consider implementing a reporting structure similar to that in use for LEADER funding.</p>	<p>It is important that CNPA receives regular formal progress reports where it has provided funding to an organisation to further the objectives of the Park.</p>	
Management Response			Responsibility/ Deadline	Priority
<p>Agree there should be formal correspondence of project delivery and performance against any specific outputs / performance indicators. We will review the LEADER reporting model to determine if that can be used / adapted.</p>			<p>Senior Access Officer / September 2011</p>	<p><b>Medium</b></p>

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## Appendix B: Internal Audit Evaluations

### Scope

The overall objective of our review was to ensure that there are clearly defined links between the Cairngorms Outdoor Access Trust and the National Park and Corporate Plans.

The specific objectives of this review were to assess the controls in place over the following areas:

- There is an appropriate rationale for the ongoing support of the project, linked to the outputs and outcomes documented in the National Park Plan;
- There is a clear link between the objectives of the project and the National Park and Corporate Plans;
- The project has been appropriately approved and funding determined, with potential sources of funding considered;
- There is appropriate ongoing assessment and upward reporting of progress against the objectives of the project;
- The objectives of the project have been delivered and can be clearly demonstrated; and
- Appropriate governance arrangements are in place to ensure that there is consistency and transparency where members of CNPA also act on behalf of the Access Trust.

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## Appendix B: Internal Audit Evaluations

**Overall assessment**

Assessment Rating	Description
Substantial	Controls / procedures accord with accepted good practice and are operating to a high standard.
Adequate	The majority of controls / procedures accord with accepted good practice and are operating, although some deficiencies exist which could result in loss or fraud.
Limited	Controls / procedures in place offer scope for considerable improvement and concern is expressed about their adequacy.
Inadequate	The existing control environment requires substantial revision, and results in an unacceptably high risk of the Cairngorms National Park Authority suffering financial and/or reputational loss.

**Standards**

Management should be aware that our internal audit work was performed according to the Institute of Internal Auditors - UK and Ireland standards 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 on any gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

# Cairngorms National Park Authority – Project Management - COAT

## Appendix B: Internal Audit Evaluations

Priorities	Explanations
<b>Very High</b>	<p><i>Fundamental control weaknesses or opportunities identified.</i></p> <p><i>A “very high” rating reflects significant weaknesses in the systems of internal control or processes for monitoring performance that will undermine the continued operation of the service. As applicable within the audit scope, deficiencies exist with respect to compliance with applicable laws and regulatory or other requirements, Cairngorms National Park Authority policies and procedures, and sound control practices. A “Very High” rating indicates that <u>immediate corrective action is required</u> to reduce exposure to loss of income or assets or to danger to life or injury.</i></p>
<b>High</b>	<p><i>Major control weaknesses or opportunities identified or a significant volume of important weaknesses or opportunities identified.</i></p> <p><i>A “high” rating reflects weaknesses in the systems of internal control or processes for monitoring performance. As applicable within the audit scope, deficiencies exist with respect to compliance with Cairngorms National Park Authority policies and procedures, sound control practices, and/or applicable laws and regulatory or other requirements. A “High” rating indicates that <u>timely corrective action is required</u> to reduce exposure to loss of income or assets or to danger to life or injury.</i></p>
<b>Medium</b>	<p><i>Important control weakness or opportunities identified or a significant volume of individual control weaknesses.</i></p> <p><i>A “medium” rating reflects, based on the results of our limited testing, generally adequate systems of internal controls, processes for monitoring performance and compliance with legal or other requirements as applicable within the audit scope. Operations generally conform to Cairngorms National Park Authority policies and procedures, sound control practices and/or applicable laws and regulatory or other requirements, although minor deficiencies may exist.</i></p> <p><i>A “medium” rating indicates that any deficiencies noted do not significantly impair operational effectiveness, violate policy, law or regulations, or weaken control.</i></p>
<b>Low</b>	<p><i>Minor control weaknesses or improvement opportunities identified, generally of a lower risk nature.</i></p> <p><i>A “low” rating indicates, based on the results of our limited testing, strong systems of internal controls and processes for monitoring performance and compliance with legal or other requirements as applicable within the audit scope. No major control deficiencies or significant volume of weaknesses were noted by our limited testing.</i></p>

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## 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*

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*May 2011*

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