

Annual Audit Report

Cairngorms National Park
Authority – Year ended 31 March
2023

November 2023



Contents

- [01 Executive summary](#)
- [02 Status of the audit](#)
- [03 Audit approach](#)
- [04 Significant findings](#)
- [05 Internal control recommendations](#)
- [06 Summary of misstatements](#)
- [07 Wider scope](#)

[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

[Appendix E: Wider scope and Best Value ratings](#)

Our reports are prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 18 May 2022 through which the Auditor General for Scotland has appointed us as external auditor of Cairngorms National Park Authority (CNPA) for financial years 2022/23 to 2026/27. We undertake our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000, as amended; and our responsibilities as set out within Audit Scotland's Code of Audit Practice 2021.

Reports and letters prepared by appointed auditors and addressed to CNPA are prepared for the sole use of CNPA and made available to Audit Scotland and the Auditor General for Scotland. We take no responsibility to any member or officer in their individual capacity or to any other third party.

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17 November 2023

Dear Committee Members and the Auditor General for Scotland,

Annual Audit Report – Year ended 31 March 2023

We are pleased to present our Annual Audit Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions and findings from our considerations of the wider scope audit specified in the Code of Audit Practice 2021.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Annual Audit Plan which we presented on 6 June 2023 to the Audit and Risk Committee. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of CNPA's team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07816354994.

Yours faithfully



Tom Reid (Audit Director)

Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Executive summary

1. Executive summary

Audit conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from our appointment by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Fraud over expenditure recognition
- Fraud over recognition of revenue; and
- IFRS 16 valuation.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on CNPA's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report some matters remain outstanding as outlined in section 2.

Conclusions from our audit testing and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. Based on our audit work completed to date we have the following conclusions:



Audit opinion

We expect to issue an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Regularity

We expect to issue an unqualified opinion, without modification, that in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Matters on which we report by exception

We are required to report to you if, during the course of our audit, we have found that adequate accounting records have not been kept; the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

1. Executive summary (continued)

Conclusions from our audit testing and audit opinion (continued)



Governance Statement and Performance Report

We are required to report on whether the information given in the Governance Statement and Performance Report is materially inconsistent with the financial statements; has not been properly prepared in accordance with The National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; or is materially misstated. We have no matters to report in respect of the Governance Statement or the Performance Report.



Other information

We are required to report on whether the other information (comprising of the Performance Report and the Accountability Report and the unaudited parts of the Remuneration and Staff Report), is materially inconsistent with the financial statements; has not been properly prepared in accordance with The National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; or is materially misstated. No inconsistencies have been identified and we have issued an unmodified opinion in this respect.

1. Executive summary (continued)

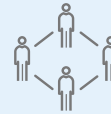
Wider Scope conclusions

As auditors appointed by the Auditor General of Scotland, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of CNPA's performance and make recommendations for improvement and, where appropriate, conclude on CNPA's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

It remains the responsibility of CNPA to ensure that it makes proper financial stewardship of public funds, complies with relevant legislation, and establishes effective governance of their activities. CNPA is also responsible for ensuring that it establishes arrangements to secure continuous improvement in performance and, in making those arrangements, ensures resources are being used to improve strategic outcomes and demonstrate the economy, efficiency, and effectiveness throughout the use of its resources. These arrangements should be proportionate to the size and type of the Non Departmental Public Body (NDPB), appropriate to the nature of the NDPB and the services and functions that it has been created to deliver.



Wider Scope

We anticipate having no risks in arrangements to report in relation to the financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes arrangements that CNPA has in place.

Further detail on our Wider Scope work is provided in section 7 of this report including any significant risks identified.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Risk of material adjustment or significant change	Description of the outstanding matters
Audit quality control and completion procedures	Low	Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion, obtaining final management representations and agreeing adjustments to the final set of accounts.
Annual report and accounts and letter of representation	Low	We will complete our final review of the annual report and accounts upon receipt of the signed version of the accounts and letter of representation.

High - Likely to result in material adjustment or significant change to disclosures within the financial statements.

Medium - Potential to result in material adjustment or significant change to disclosures within the financial statements.

Low - Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £206k using a benchmark of 2% of total expenditure. Our final assessment of materiality, based on the final financial statements, is £263k using the same benchmark.

Service organisations

There has been one change to the use of service organisations as set out below.

Item of account	Service organisation	Audit approach
Cash equivalent transfer values of pensions as disclosed in the Remuneration and Staff Report	MyCSP	<p>We reviewed the source data CNPA provided to MyCSP and agreed this to CNPA payroll records.</p> <p>We reviewed reports provided by MyCSP to CNPA and agreed these to the pension disclosures included in the Remuneration and Staff Report.</p> <p>We made use of the Deloitte report provided by Audit Scotland (commissioned by the National Audit Office) on 8 September 2023 to obtain assurance over the operation of the CETV calculator used to provide values to organisations where CETV figures are included in Remuneration and Staff Report disclosures i.e. where individuals are members of the Civil Service Pension Scheme. We also considered Deloitte's recommendations, disclosed in its report, in relation to control improvements.</p>

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 18 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

4. Significant findings (continued)

Significant risks

Management override of controls	Description of the risk Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
	<hr/> How we addressed this risk We addressed this risk by: <ul style="list-style-type: none">• reviewing the key areas within the financial statements where management has used judgement and estimation techniques and consider whether there is evidence of unfair bias;• examining any accounting policies that vary from the Government Financial Reporting Manual;• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; and• considering and testing any significant transactions outside the normal course of business or otherwise unusual.
	<hr/> Audit conclusion Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

4. Significant findings (continued)

Key areas of management judgement

Fraud over expenditure recognition

Description of the risk

Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom* highlights that, as most public-sector bodies are net spending bodies, the risk of fraud related to expenditure may be greater than the risk relating to revenue recognition.

A significant amount of CNPA's expenditure relates to salaried staff costs. Staff costs are well controlled and made up of low value individual transactions. Depreciation and impairment are funded by agreed forecast Scottish Government funding and there is therefore less incentive to manipulate. However, CNPA has material operational plan expenditure. The nature of this expenditure means there is an increased risk of fraud in its recognition which could result in a material misstatement in the financial statements. This risk is particularly prevalent around the year end.

How we addressed this risk

We addressed this risk by undertaking substantive procedures to ensure programme and project expenditure and other operating costs are recorded appropriately in the financial statements.

Audit conclusion

Management alerted us to a fraud which occurred during 2022/23, affecting operational plan expenditure. CNPA suspect this was caused by an unknown and hostile actor gaining access to a staff member's email account. The actor sent instructions to pay supplier invoices from the staff member's email address to the Finance team, including a notification of change in bank details. CNPA made five payments totalling £15,665 to this bank account. We note that CNPA enhanced controls over changes to supplier bank details following this incident.

We did not identify any further incidents of proven or suspected fraud from our substantive procedures on operational plan expenditure. We recommend that management ensure its new controls over confirmation of payment requests and changes in bank details are operating effectively.

We have submitted a fraud return to Audit Scotland as required by its guidelines.

4. Significant findings (continued)

Fraud over recognition of revenue

Description of the risk

As set out in International Standard on Auditing (UK) 240: *The auditor’s responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

CNPA has material operational plan income. The nature of this income means there is an increased risk of fraud in its recognition which could result in a material misstatement in the financial statements. There is a risk that CNPA could over or understate this income to manipulate its year end position.

How we addressed this risk

We addressed this risk by undertaking substantive procedures to ensure programme and project income is recorded appropriately in the financial statements.

Audit conclusion

We did not identify any errors from our substantive procedures.

4. Significant findings (continued)

IFRS 16 Valuation**Description of the risk**

The 2022/23 Government Financial Reporting Manual (FReM) requires bodies to account for leases in accordance with IFRS 16 Leases. Under IFRS 16, where a body is a lessee there is no distinction between finance leases and operating leases. Lessees are required to recognise a right-of-use asset and any lease liability in their financial statements.

CNPA assessed the likely impact of IFRS 16 and disclosed this in its 2021/22 financial statements. It expected that application of this standard would result in a right-of-use asset of £2.6 million and an associated lease liability of £2.6 million. There is a risk that CNPA does not properly measure right-of-use assets and lease liabilities. There is also a risk that it does not correctly identify all its leases.

How we addressed this risk

We addressed this risk by:

- evaluating whether right-of-use assets as at 31 March 2023 are properly valued;
- evaluating whether the lease liability at 31 March 2023 is properly measured;
- reviewing whether CNPA has properly presented and disclosed leases in the financial statements;
- reviewing CNPA's process for identifying its leases.

Audit conclusion

We did not identify any errors from our audit procedures.

4. Significant findings (continued)

Qualitative aspects of CNPA's accounting practices

We have reviewed CNPA's accounting policies and disclosures and concluded they comply with the Government Financial Reporting Manual (FReM) 2022/23, appropriately tailored to CNPA's circumstances.

The unaudited annual report and accounts were received from CNPA on 18 September 2023 and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- **First year audit procedures.** Auditing standards require us to carry out additional specific procedures in the first year of an audit. These include: seeking professional clearance confirmations from the predecessor auditor, reviewing the predecessor auditor's working papers and reports and specific additional procedures over brought forward balances. As part of this work, we discussed controls in place for key information systems with management.
- **IFRS 16 Leases.** We discussed the accounting treatment of operating leases under IFRS 16 with officers. We did not identify any issues and we concluded that CNPA's accounting treatment is appropriate.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

4. Significant findings (continued)

Wider responsibilities – statutory reporting

We are required to notify the Auditor General when circumstances indicate that a statutory report may be required.

- Section 22 of the Public Finance and Accountability (Scotland) Act 2000 allows us to prepare a report to bring to the attention of the Scottish Parliament and the public, matters of public interest arising during the audit of CNPA.
- Section 23 of the Public Finance and Accountability (Scotland) Act 2000 allows us to initiate an examination into the economy, efficiency and effectiveness with which CNPA and its officeholders have used their resources in discharging their functions.

We confirm that no such reports have been prepared or any examinations have been initiated.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Audit and Risk Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations (continued)

Significant deficiencies in internal control – Level 1

Description of deficiency

CNPA was the victim of fraud in 2022/23 due to inadequate procedures for confirming changes in supplier bank details.

Potential effects

Hostile actors could exploit this control weakness leading to financial loss for CNPA.

Recommendation

CNPA has enhanced its controls for confirmation of supplier bank details, including requests for change of details. This includes introducing call-back procedures and a new supplier set up form. We recommend that management ensure its new controls over confirmation of payment requests and changes in bank details are operating effectively.

Management response

This was a sophisticated fraud that we understand to have been perpetrated when a hostile actor gained access to our email communications through an unsecured Wi-Fi system at a public meeting. We have since set up the processes described above, and these are, to our knowledge, working well. In addition, we require that staff use the data provision on their mobile devices to access Wi-Fi rather than using services provided by outside venues.

Other deficiencies in internal control – Level 2

Description of deficiency

Complex and time-consuming general ledger structures and accounting processes currently exist within the entity, as evidenced by the following features:

- Use of multiple ‘companies’, which means CNPA performs manual consolidation to produce a result for the whole organisation from the five companies set up in the SAGE financial ledger system
- Inconsistencies in the Chart of Accounts for the five companies
- Requisitions for procurement prepared in Excel
- Reporting and payroll processing require manual input into the SAGE system.

Potential effects

The processes currently in place result in duplication of efforts, are time-consuming and strenuous for the finance team, and could lead to errors in information processing.

Recommendation

Management has prepared a paper outlining the improvements required to the ledger system. We recommend that CNPA implements new accounting systems that simplify processes.

Management response

We agree with your assessment of our needs in respect of improvements to our finance system and are working on a business case and specification for a replacement system. You comment on inconsistencies within the chart of accounts. While we agree that our approach is unconventional, it does provide appropriate information. The different structures within each of the five companies reflect the different reporting requirements for core activities and the various activities within our project work. We will undoubtedly refine this approach in any new system, but we are confident that the current ledger structure meets our needs and the needs of funders.

Responsible Officer - Head of Finance and Corporate Operations. **Timeline** – September 2024

5. Internal control recommendations (continued)

Other deficiencies in internal control – Level 2

Description of deficiency

Weakness in cyber security governance and controls in that there is an absence of robust processes in place at CNPA to assess vulnerability to cyber security risk.

Potential effects

Hostile actors could exploit this control weakness leading to loss of information or financial loss for CNPA similar to the incident that occurred within the financial year under review.

Recommendation

We recommend that CNPA design and implement formal governance and risk management functions over cyber risk.

Management response

We have recently completed a review of operational risks with our IT team. Amongst the identified risks are cloud computing vulnerabilities and daily external threats. Mitigation measures currently in place include:

- Proactive monitoring using Dark Trace software.
- Use of daily threat summaries provided by the Scottish Cyber Coordination Centre and other industry publications to keep up to date with potential threats.
- A schedule of regular software updates to mitigate Zero Day risks.
- Regular communication with knowledge contacts, including Dark Trace and IT colleagues at Loch Lomond and the Trossachs National Park.
- Gaining the Cyber Security Essentials Plus accreditation
- Streamlining the use of 3rd party software by using built-in tools from Microsoft Intune and Endpoint Security

The output from this risk assessment will be consolidated into an IT/ Cyber security risk register providing a vehicle for regular monitoring and reporting on risk.

Responsible Officer - Head of Finance and Corporate Operations. **Timeline** – March 2024

Follow up on previous internal control recommendation (reported in 2021/22 External Audit Report)

Description of deficiency

CNPA uses a complex general ledger structure to segregate incoming and outgoing funds for various programmes being delivered. The use of the company group structure function within the financial accounting package requires six ledgers to be collated to produce the information disclosed in the financial statements.

Potential effects

Significant strain is placed on the CNPA Finance Team throughout the accounts production process.

Recommendation

We recommend that alternative functionality within the accounting package is implemented to maintain the segregation of funds and, while there are likely to be a number of relevant functions available, exploiting Cost Centre functionality is one that may provide an adequate solution.

2022/23 update

See internal control recommendation 2 on page 22.

5. Internal control recommendations (continued)

**Follow up on previous internal control points
(reported in 2021/22 External Audit Report)**

Description of deficiency

Following our assessment of general IT controls, we have identified weaknesses in the IT control environment. We identified an absence of robust processes in place at CNPA to assess vulnerability to cyber security risk and detect adverse cyber events.

Potential effects

As a public body with responsibility for processing of public funds CNPA is subject to an inflated risk profile and is likely to be a target for cyber-criminal activity.

Recommendation

We recommend that CNPA design and implement formal governance and risk management functions over cyber risk.

2022/23 update

CNPA is planning to introduce an ICT Risk Register and introduce SharePoint. See internal control recommendation 3 on page 23.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the disclosure adjustments proposed to and taken up by management over the course of the audit. There were no misstatements identified during the course of the audit above the trivial threshold for adjustment of £7,900.

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- **Performance report:-** Inclusion of additional information to cover disclosures required by the FReM:
 - Details of organisational strategic objectives and goals, performance appraisal and analysis
 - Summary of principal risks faced and how they have affected the delivery of objectives
 - Effects of emerging risks on expected future performance.
 - Detail on progress against strategic aims.

- **Governance statement:-** Amendments to ensure compliance with the Scottish Public Finance Manual:-
 - Including a statement that the systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

- **Remuneration and staff report:-** Amendments made in response to the following points:-
 - Capping negative accrued pension benefits at £0 to comply with FReM.
 - Disclosure of Board members' fees in bands of £5,000.

There were also adjustments to the annual report and accounts for other minor disclosure, consistency or presentational matters.

07

Section 07: **Wider scope**

7. Commentary on Wider Scope

Overall summary



7. Commentary on Wider Scope

Wider scope summary

As auditors appointed by the Auditor General for Scotland, our wider scope responsibilities are set out in the Audit Scotland’s Code of Audit Practice 2021. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of CNPA’s performance and make recommendations for improvement and, where appropriate, conclude on CNPA’s performance.

The Code’s wider scope framework is categorised into four areas:



- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

The Code of Audit Practice permits an alternative audit approach where an audited body is considered less complex due its size and limited financial activity. In the Audit Strategy Memorandum, we documented our judgement that CNPA is a less complex body. We have reviewed this assessment and confirmed that it remains appropriate. We therefore restricted our wider scope work to:

- a review of the Governance Statement
- concluding on the financial sustainability of CNPA and the services that it delivers in the medium to longer term.

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

	Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
	Financial sustainability	30	No	No	No
	Governance Statement	32	No	No	No

7. Commentary on Wider Scope

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



7. Financial sustainability

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial planning	<p>CNPA reported net expenditure for 2022/23 of £10.4 million (2021/22: £8.9 million). This reflects a small cash underspend of £18k against the Scottish Government resource limit for the year. It reported a more significant underspend of £269k against the capital resource limit due to Peatland restoration activity being less than planned.</p> <p>CNPA has also worked to achieve efficiency savings through workforce management by reviewing recruitment needs and making use of fixed term contracts where appropriate. Currently staff costs account for approximately 40% of CNPA's budget. There was an underspend of £120k on staff costs in 2022/23.</p> <p>CNPA responds to resource spending review commissions from the Scottish Government on an ongoing basis. In October 2022 it made a submission on resource spending to inform the Scottish Government's Medium Term Financial Strategy. This included a projection of the resource funding it will need up to and including 2026/27.</p>	<p>CNPA operated within its budget in 2022/23.</p> <p>CNPA responds to resource spending review commissions from the Scottish Government on an ongoing basis.</p>	<p>No significant risks identified.</p>

7. Commentary on Wider Scope

Governance Statement



7. Governance Statement

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Governance Statement	<p>We confirmed that the Governance Statement:</p> <ul style="list-style-type: none"> • is consistent with the financial statements; • includes the information required by the FReM and the Scottish Public Finance Manual (SPFM); • is consistent with our knowledge obtained through the audit; • does not contain any misleading information. <p>CNPA amended the Governance Statement to ensure compliance with the SPFM. See page 26.</p>	<p>We are required to report on whether the information given in the Governance Statement is materially inconsistent with the financial statements; has not been properly prepared in accordance with The National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; or is materially misstated. We have no matters to report in respect of the Governance Statement.</p>	<p>No significant risks identified.</p>

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

E: Wider scope and Best Value ratings

Appendix A: Draft management representation letter

Tom Reid
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24 November 2023

Dear Tom

Cairngorms National Park Authority - Audit for the Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Cairngorms National Park Authority for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the National Parks (Scotland) Act 2000 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the National Parks (Scotland) Act 2000 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Accountable Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter (continued)

Accounting records

I confirm that all transactions undertaken by the Authority have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Authority's financial position, financial performance and cash flows.

I confirm that I have reviewed the accounting policies applied during the year in accordance with the requirements of the National Parks (Scotland) Act 2000 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM) and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Authority in making the accounting estimates, including those measured at fair value are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the National Parks (Scotland) Act 2000 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

Appendix A: Draft management representation letter (continued)

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

I have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Accountable Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Authority involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and

- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the National Parks (Scotland) Act 2000 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

I have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the statement of financial position date. An impairment review is therefore not considered necessary.

Appendix A: Draft management representation letter (continued)

Charges on assets

All the Authority's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Right of Use assets and lease liabilities

I confirm that I have satisfied myself that the key judgments and assumptions made in valuing Right of Use assets and corresponding lease liabilities are reasonable and in accordance with IFRS 16. I am satisfied that assumptions around lease terms of implicit leases are reasonable.

Other Matters

I confirm in relation to the following matters that:

- COVID-19 – I have assessed the continued impact of the COVID-19 Virus pandemic on the Authority and the financial statements, including the impact of mitigation measures and uncertainties, and am satisfied that the financial statements and supporting notes fairly

reflect that assessment.

- Ukraine – I confirm that I have carried out an assessment of the potential impact of the continued conflict in Ukraine on the Authority and there is no significant impact on the Authority's operations from restrictions or sanctions in place.

I confirm that I have assessed the impact on the Authority of the on-going Global Banking challenges, in particular whether there is any impact on the Authority's ability to continue as a going concern, and on the post balance sheet events disclosures.

Going concern

To the best of my knowledge there is nothing to indicate that the Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Appendix A: Draft management representation letter (continued)

Performance related allocations

I confirm that I am not aware of any reason why the Authority’s funding allocation limits would be changed.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the National Parks (Scotland) Act 2000 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM), require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Governance Statement

I am satisfied that the Governance Statement fairly reflects the Authority’s risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the Governance Statement.

Annual Report

The disclosures within the Annual Report and the Remuneration and Staff Report fairly reflect

my understanding of the Authority’s financial and operating performance over the period covered by the financial statements.

Other Representations

I confirm that all provisions required under IAS 37 have been included in the financial statements.

Unadjusted misstatements

I confirm that there are no uncorrected misstatements.

Yours faithfully

.....

Chief Executive and Accountable Officer

Appendix B: Draft audit report

Independent auditor's report to the members of Cairngorms National Park Authority, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements in the annual report and accounts of Cairngorms National Park Authority for the year ended 31 March 2023 under the National Parks (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayer's Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland Website](#).

Appendix B: Draft audit report (continued)

Risks of material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

Appendix B: Draft audit report (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Appendix B: Draft audit report (continued)

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Appendix B: Draft audit report (continued)

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Tom Reid (Audit Director)
For and on behalf of Mazars LLP

Mazars LLP – 100 Queen Street – Glasgow – G1 3DN

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix C: Independence (continued)

Fees for work as CNPA's auditor





We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Annual Audit Plan presented to the Audit and Risk Committee on 21 June 2023. We were appointed as auditors for CNPA in the 2022/23 financial year therefore no comparatives have been provided in the below table. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23 fees
Auditor remuneration	£26,390
Pooled costs	(£420)
Contribution to PABV costs	0
Audit support costs	£750
Sectoral cap adjustment	(£11,290)
Total fees	£15,430



Fees for other work

We confirm that we have not undertaken any non-audit services for CNPA in the year.

Appendix D: Other communications

Other communication	Response
 Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework..
 Going concern	<p>We have not identified any evidence to cause us to disagree with the Accountable Officer that CNPA will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications (continued)

	Other communication	Response
	<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition, we have assessed the adequacy of CNPA’s arrangements for preventing and detecting fraud or other irregularities as part of the wider scope audit and concluded that they are sufficiently designed and implemented.</p> <p>We will obtain written representations from management, and Those Charged With Governance, confirming that:</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix E: Wider scope and Best Value ratings

We need to gather sufficient evidence to support our commentary on CNPA’s arrangements and to identify and report on any risks. We will carry out more detailed work where we identify significant risks. Where significant risks are identified we will report these to CNPA and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

We have assigned priority rankings to each of the risks identified to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. The table below describes the meaning behind each rating that we have awarded to each wider scope area based on the work we have performed.

Rating	Description
Level 1	The identified risk and/or significant deficiency is critical to the business processes or the achievement of business strategic objectives. There is potential for financial loss, damage to reputation or loss of information. The recommendation should be taken into consideration by management immediately.
Level 2	The identified risk and/or significant deficiency may impact on individual objectives or business processes. The audited body should implement the recommendation to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
Level 3	The identified risk and/or significant deficiency is an area for improvement or less significant. In our view, the audited body should action the recommendation, but management do not need to prioritise.

Tom Reid (Audit Director)

Mazars

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