



## For information

### Committee Annual Reports

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### Purpose

This paper presents the Annual Reports of the Audit and Risk, Performance, Governance and Resources Committees to the Board.

### Recommendations

The Board is asked to note the Annual Reports to the Board from the:

- a) Audit and Risk Committee
- b) Governance Committee
- c) Performance Committee
- d) Resources Committee

### Background

In line with internal audit recommendations and as an element of the remit of the Committees, each Committee submits an annual report covering its activities and reflecting on its operations over the course of the last year to the full board. This paper presents the reports for those Committees which have now completed their annual cycle.



## Audit and Risk Committee Annual Report

### Executive Summary

The Audit & Risk Committee is required to report annually to the full board on its activities over the year, and on the reports presented to the Committee by the Authority's internal and external auditors.

### Background

1. This Annual Report is presented on behalf of the Audit & Risk Committee to cover the period of its operations from September 2022 to September 2023.

### Overview

2. The period of this Annual Report covers consideration of final accounts for 2021/22. The finalisation of these accounts was delayed as a consequence of lack of external audit staff resource at Grant Thornton, the Authority's external auditors.
3. The accounts and final audit report were reviewed at an added meeting of the Committee on 13 January 2023.
4. Responsibility for external audit has now passed to Mazars as a new appointment established by the Auditor General for Scotland, with effect from the audit of the 2022/23 accounts.
5. The Committee has been supported over the duration of this reporting period by Azets in the provision of internal audit services. The Committee has continued to have oversight of the work of the Authority's internal auditors and considered reports issued by them in full.
6. The terms of reference of the Committee were broadly unchanged in the restructure of the Cairngorms NPA board's committees agreed in June 2021. The Committee has continued to work to these terms of reference over the duration of this reporting period and met six times over the period covered by this report.
7. The Committee has had problems over the course of the reporting period in securing a quorum for a number of its meetings. The Committee recognises that its



membership has been particularly impacted by turnover in membership. While the board has considered the internal auditor's suggestion that a reduced quorum is considered for meetings in line with many other organisations' Audit and Risk Committees, the board has instead agreed to implement a system to support nomination of substitutes to meetings from within the board.

## Key Activities

8. In addition to management reports from the Authority's Internal and External Auditors, considered in further detail below, the Committee considered the following issues during the course of the year:
  - a) Risk management: the Audit and Risk Committee has continued to take a strategic oversight of the Authority's risk management strategy and regularly considered the strategic risk register. The Committee has considered the appropriateness of coverage of the strategic risk register supporting delivery of the transitional plan for 2022/23 and commencement of the Corporate Plan for 2023 to 2027 in the period, and scrutinised adequacy of mitigation action, in periods between full Board considerations of risk management.
  - b) Detailed Risk Analysis: the Committee has continued the practice in the year of considering more in depth analysis of key risks from senior management. This practice provides an opportunity to explore key or increasing strategic risks in more detail and evaluate the adequacy of mitigation actions. The Committee has considered detailed analysis of the risks associated with the Heritage Horizons programme as it moves through its Development Phase.
  - c) Risk Appetite: the Committee considered the outcome of the board's risk appetite workshop and will continue to have oversight of the integration of risk appetite into revised strategic risk management approaches, in advance of presentation of a revised strategic risk management approach to the full board.
  - d) Assurance Mapping: the Committee worked with the internal auditors in considering the Park Authority's assurance mapping framework, to assist with establishing appropriate governance structures within the organisation.
  - e) Accounting Policy and Estimates: the Committee reviews and agrees accounting policies and considers any significant estimates required in the finalisation of the



annual accounts as part of its consideration of final accounts prior to their signature by the Accountable Officer. There were no significant variations to accounting policy required in the year, nor were any estimates causes of concern.

- f) Governance Statement: review and approval of this statement, prior to its inclusion in the annual accounts and prior to signature by the Accountable Officer.
- g) Follow up on external audit: the Committee has maintained oversight of the issues with external audit resourcing and delays in timetable, communicating with the Auditor General for Scotland on these matters on behalf of the board.
- h) Updates on progress in implementing previous audit recommendations: the Committee has maintained a twice yearly audit review of action taken on previous audit recommendations, supplemented from time to time by management reports.
- i) Consideration and agreement of forward audit activity plans: the Committee, has agreed a forward plan of internal audit activity and has monitored progress in successful delivery of the internal audit plan for 2022/23 with a plan for 2023/24 agreed and currently under delivery.
- j) Letter of representation: the Committee considered the draft letter of representation from the Authority to Grant Thornton, the external auditor, prior to its signature by the Accountable Officer as an appropriate reflection of the Authority's position for preparation of the accounts for 2021/22 and conduct of the Authority's financial and wider control procedures over the course of the year.
- k) Freedom of Information (Scotland) Act (FOISA) and Data Subject Access Requests (DSAR): the Committee has provided oversight of the Authority's management and handling of information requests made under FOISA and DSAR regulations, including the outcome of a small number of referrals made by applicant to the Scottish Information Commissioner. With both an assurance and Best Value focus, the Committee's oversight of these matters has provided confirmation on behalf of the Board of the adequacy and efficacy of arrangements implemented by management to handle information requests and continually learn from experience and outcomes of processes.



## Internal Audit

9. The Committee agree an annual internal audit work programme presented by the internal auditor.
10. Over the course of the period of this report, Azets have presented eight management reports to the Committee. Their findings and consequent recommendations for action are graded according to the internal auditors' assessment of the significance of the underlying weakness to the effective management of the organisation.
11. Table One presents a summary of the number and degree of significance of internal audit findings over the period of this report and compares this with historic levels. The definitions used for significance of internal audit recommendations have changed slightly with the change in internal audit provider from KPMG to BDO. These definitions are given after the table. The areas audited are also classified in terms of overall effectiveness of the internal audit control systems reviews and these classifications are also explained below the table.

*Table One: Summary of Internal Audit Findings*

Internal Audit Study	Number of Recommendations			
	Critical	High	Moderate	Low
2011/12 Total (7 studies)	0	3	14	9
2012/13 Total (4 studies)	0	0	0	10
2013/14 Total (7 studies)	0	1	9	11
2014/15 Total (4 studies)	0	0	5	13
2015/16 Total (9 studies)	0	0	9	10
2016/17 Total (8 studies)	n/a	0	11	11
2017/18 Total (3 studies)	n/a	0	3	7
2018/19 Total (9 studies)	n/a	1	6	10
2019/21 Total (9 studies)	0	5	16	21
2021/22 Total (5 studies)	0	4	10	2
2022/23 Total (6 studies)	2	9	11	5



The 2022/23 studies were:				
	Very High	High	Moderate	Limited
Peatland Programme (Sep 22)	2	6	1	0
Performance Management (Sep 22)	0	0	3	0
Workforce Management (Sep 22)	0	1	1	0
LEADER Administration (Sep 22)	0	0	1	1
Data Management (Dec 22)	0	2	0	0
Payroll and Expenses (Mar 22)	0	0	5	4
Total for period	2	9	11	5

Key - Azets definition of grades for management action recommendations:

- l)** Very High Risk Exposure: major concerns requiring immediate senior attention that create fundamental risks within the organisation.
- m)** High Risk Exposure: absence / failure of key controls that create significant risks within the organisation.
- n)** Moderate Risk Exposure: controls are not working effectively and efficiently and may create moderate risks within the organisation.
- o)** Limited Risk Exposure: controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

12. The Committee recognises that the risk profile of audit recommendations for action and improvement of internal controls has increased over the course of the year. This to a degree recognises the relatively new areas of service being undertaken by the Park Authority, such as taking on full responsibility for the peatland restoration programme, together with significant changes to our operating environment as the organisation transitions to a hybrid working environment. Nine of the 27 recommendations raised over the last 12 month period relate to the relatively new and developing peatland restoration programme, highlighting the increased level of audit recommendations likely to be brought up in new or novel areas of operations as opposed to in more mature operating systems. Both “very high risk” exposure recommendations on the peatland restoration programme were acted on immediately. Indeed, management awareness of the developing control systems in this area led to the request through the Committee for the review of processes in place within the peatland programme to support management consideration of systems improvement.



13. The Committee has noted a number of high risk exposure recommendations in the more recent reports and will monitor resolution of these matters within agreed timetables.
14. In line with the Authority's values of transparency, the Committee is made aware of all recommendations made by the internal auditors, through consideration of full management reports following each audit review.
15. The Committee has agreed management responses to all recommendations made and continues to monitor progress made. The internal auditors have also conducted follow-up reports and report back to the Committee on their findings. The Committee is aware of some lag in management action against outstanding audit recommendations, as a consequence of the pressure of work in undertaking remedial work while at the same time developing and supporting new systems and the increasing scale of the organisation. The most recent update report presented positive overall movement in the numbers of outstanding audit actions to be addressed. The Committee will continue to monitor the position closely to ensure appropriate resources are directed toward addressing audit recommendations.
16. The Committee has considered the Internal Auditors' Annual Report for 2022/23. The internal auditor's annual report for the year gives the following overall opinion: "In our opinion, Cairngorms National Park Authority has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives. We note however a significant number of audit actions remain outstanding from previous years, some of which are now aged".

## **External Audit**

17. The Authority's accounts for 2021/22 received a clear, unqualified external auditor's report and opinion from Grant Thornton, our external auditors.
18. The accounts and external auditor's report for 2021/22 were considered and approved by the Committee at its meeting on 13 January 2023. The accounts were signed by the Chief Executive as Accountable Officer and passed to Audit Scotland for signature and onward submission to Auditor General and Scottish Parliament. The accounts were cleared to be laid in Parliament on 20 January 2023.



19. The Audit & Risk Committee considered Grant Thornton's draft report to those charged with governance on the audit of the 2020/21 accounts at its meeting of 13 January 2023. The report highlighted two action points: consideration of potential to simplify the accounts and ledger structure and explore the potential to use accounting software functionality more fully; and considering appropriate governance and control structures around the Park Authority's cyber risks. These actions were accepted by management and the Committee and was an action which management were already progressing.
20. The external audit report noted that the single action point noted in the prior year had been fully closed.
21. The external audit report noted that complete draft financial statements, including the Performance Report, Accountability Report and Governance Statement, were provided within the agreed timescales.

## **Strategic Risk Management**

22. The Authority's strategic risk register has continued to be reviewed and revised as necessary throughout this reporting period by the Committee and full Board, ensuring the Park Authority continues to manage its strategic risk environment while transitioning into a new Corporate Plan period and revising its approach to strategic risk management and risk appetite. The Audit & Risk Committee has continued to review the coverage and adequacy of the strategic risk register in those quarters where it is not presented to the full Board, and has incorporated assurance over risk management of the Cairngorms 2030 Programme ensuring any strategic risk implications to the Park Authority as a whole are recognised and incorporated in our risk management framework.

## **Conclusions**

23. The Audit & Risk Committee considers that it has been successful in progressing the Board's governance and internal control priorities during the period covered by this annual report.
24. The Committee welcomes the work of the Authority's finance team in once again maintaining a high quality and professional financial accounting service.





25. The Committee has engaged through the year with issues identified by the Authority's internal and external auditors, and also by the Authority's officers. The Committee has received full reports on issues raised; considered recommendations made; and approved responses and actions. The Committee has shaped and approved the overall audit plan and guided the direction and approach of the internal auditors and their programme of work. The Committee has also monitored delivery against approved action plans.
26. Both the internal and external auditors' findings provide assurance to the Committee and Board that the Authority's internal control and governance objectives are being met effectively by management.
27. It is also reassuring for Committee members to see once again that audit recommendations have typically been of a low or moderate risk level, while recognising the coverage of some of the Park Authority's newer service areas has pushed the risk profile of recommendations higher over the course of the last reporting period. It is accepted that there will always be a range of improvements than can be made to services and controls; that these controls must continue to adapt to changing operating and strategic environments; and as such a number of recommendations for improvement from internal audit will always be expected. The Committee warmly welcomes the evidence of attention to internal control systems by management and generally effective control systems evidenced by the annual internal audit reports.
28. The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.
29. The Committee will also seek to continue to have oversight of the Authority's approach to and handling of risk management, and of wider aspects of corporate governance such as the approach to Best Value and value for money. In particular, members will seek to ensure that lessons are learned from operational experience and that wherever possible reviews of working practices and learning from them lead to improvements in our systems.



## **Governance Committee Annual Report to Board for Period August 2022 to November 2023**

### **Activity in Period**

1. The Governance Committee was established following a review of the Cairngorms National Park Authority's board committee structures over the first quarter of 2021/22. The Committee formalised the "Governance Group" of Convener, Deputy Convener and Committee Chairs which previously met to support management of governance, strategic development and board management activities.
2. The Committee met a total of four times up to and including the meeting of 18 August 2023.
3. The Committee has sought assurance over the following key aspects of the Cairngorms National Park Authority's operations over the course of the reporting period:
  - a) Operation of board committees within their terms of reference;
  - b) Communication strategy and its implementation;
  - c) Committee memberships;
  - d) Board complaints procedure;
  - e) Board development, evaluation and training;
  - f) Board appointment processes;
  - g) Staff Register of Interest Assurance Processes;
  - h) Board and events timetables;
  - i) Work of the Cairngorms Youth Action Team.

### **Review of Activities and Commentary**

4. The Committee has continued to embed its role within the Park Authority's Committee structure over this second year of its operations.
5. The Committee had a number of changes in membership over the course of the period covered by this report, reflecting the wider period of change in the membership of the full board over this time and also the number of consequential



elections held for a number of Convener and Committee Chair roles. As the current membership of the Committee is relatively new, this annual report is more a factual record of the activities of the Committee over the period, rather than a qualitative evaluation of the work of the Committee.

6. The Committee is open to for attendance by any board member where members have an interest on any specific matter under discussion.
7. The Committee has identified two additions or points of clarification required to its terms of reference over the course of this reporting period. The proposed additions were:
  - a) Support the Convener in identifying an appropriate sub-group of the board, with maximum of four members including the Convener, to advise on matters of pay, terms and conditions, appointment and any other contractual matters relating to the Chief Executive Officer and any other staff falling within the Scottish Government's Senior Appointments Pay Processes.
  - b) To oversee and provide assurance to the Board on the development of the Park Authority's communications strategy and on the implementation of actions plans and achievement of the strategic outcomes of that communication strategy. [This amendment clarifies the reporting line for communications activity which had previously been handled under the aspect of the terms of reference: oversee and provide assurance to the Board on implementation of strategically significant corporate programmes of work not falling within the remit of other Committees, such as business continuity planning and significant IT or organisational development programmes.]
8. Part of the Committee's role is to consider the schedule of business for the full board. There have been no instances of need for escalation of concerns around any items of business considered by the Committee to the full board. Some minor matters have been made known to other committees to enhance coordinated assurance over organisational performance.
9. Timetabling of committees continues to be tested to find the correct time allocation for the Committee amongst a range of other board business commitments and recognising that many members are only able to attend Park Authority board and committee meetings on Fridays.



## Conclusions

10. As a Committee primarily comprising new members, this annual report is a relatively factual statement of business conducted over the period in question.
11. The Committee will consider its role and contribution to the Park Authority's governance and assurance framework over the coming year.



## Resources Committee Annual Report to Board for Period August 2022 to October 2023

### Activity in Period

1. The Resources Committee was established following a review of the Cairngorms National Park Authority's board committee structures over the first quarter of 2021/22. The Committee combined many of the responsibilities of the previous Finance and Delivery and Staffing and Recruitment Committees.
2. The Committee met on five times up to and including the meeting of 11 August 2023.
3. The Committee has sought assurance over the following key aspects of the Cairngorms National Park Authority's operations over the course of the reporting period:
  - a) Staff pay response to the cost of living crises and supplementary pay award effective from 1 October 2022;
  - b) Staff pay award with effect from 1 April 2023;
  - c) Scrutiny of the business case for realignment of pay bands F and G against sector benchmarks;
  - d) Development of 2023/24 budget;
  - e) Budget monitoring for both 2022/23 and 2023/24;
  - f) Draft financial outturn position for 2022/23;
  - g) Delivering the Cairngorms National Park Authority's Equality Duties, including scrutiny of the Park Authority's Equal Pay Audit;
  - h) Staff engagement, including Staff Consultative Forum discussions;
  - i) Evolution of staff terms and conditions, particularly around the development of 35 hour working week proposals;
  - j) The Right to Disconnect Charter;
  - k) Health and Safety operations;
  - l) Staff Turnover and staff absence monitoring.
4. The Committee also continued discussion around the potential for developing commercial income and the committee's future consideration of this aspect of the Authority's activity toward the end of this reporting period. This area of activity has



not been explored extensively while the Park Authority continues to focus on the potential to secure significant inward grant funding and private finance in support of its activities.

## Review of Activities and Commentary

5. Overall, the committee feels it has been successful in discharging its remit and performing an appropriate and valuable element of the Park Authority's governance and assurance processes. Appropriate areas of overlap with other committees on performance and risk management have been recognised and minimised, with matters passed on between Committee's within their remits as necessary.
6. The Committee had a variable membership over the course of the year, reflecting the significant turnover in board membership in the period. Committee Chair and Vice Chair also changed in the period.
7. The Committee covered a wide range of subject areas over the course of the period of this report, as illustrated by the summary of topics covered at point 3, providing the board with assurance over the management and controls exercised within these areas of the Park Authority's operations.
8. The Committee has not identified any changes required to its terms of reference over the course of this reporting period.
9. There have been no instances of need for escalation of concerns to the full board, while some minor matters have been made known to other committees to enhance coordinated assurance over organisational performance.

## Conclusions

10. The operation of the Resources Committee has provided an important and effective element of the Cairngorms National Park Authority's governance and assurance systems. The Committee's focus on the combination of financial and staff resource management provides for a comprehensive scrutiny of the management of these areas, while allowing for members to provide integrated strategic direction and support in the forward planning of these key resources.



11. The Committee believes there are no significant changes needed in the Committee's operations over the coming year. Committee members will continue to work with senior officers to evolve and adapt reporting structures as required.
  
12. The Committee is grateful to the support of officers provided over the year, for full and clear papers and effective, helpful engagement at our meetings.



## Performance Committee Annual Report to Board for Period August 2022 to October 2023

### Activity in period

1. The Committee met four times up to and including the meeting of 8 September 2023 in the period covered by this report.
2. The Committee has sought assurance over the performance of the following programmes and major projects where the Park Authority is either lead deliver body, or holds significant responsibility as a lead applicant and / or accountable body for funding deployed:
  - a) Cairngorms Capercaillie Project;
  - b) Cairngorms Community Led Local Development (CLLD) and Cairngorms Trust delivery;
  - c) Footpath Maintenance;
  - d) Cairngorms Peatland ACTION Programme;
  - e) Cairngorms 2030 Heritage Horizons Programme;
  - f) Cairngorms Nature Festival;
  - g) Review of terms of reference of Committee and forward scope of Committee's coverage.

### Review of Activities and Commentary

3. As a relatively new committee in the Park Authority's governance structure, members have continued to embed their role within the overall scope of the committee and assurance structure and sought to minimise areas of overlap. Key areas of the Cairngorms NPA managed and partner led activities have been identified for reporting with a template reporting structure finalised and maintained over the course of the period. Use of existing reports submitted to project boards and other structures has been maximised to minimise additional reporting burdens on staff.
4. The Committee had a changing membership over the course of the year, including changes to Chair. As the current membership of the Committee is relatively new, this annual report is more a factual record of the activities of the Committee over the period, rather than a qualitative evaluation of the work of the Committee.





5. There have been no instances of need for escalation of concerns to the full board, while some minor matters have been made known to other committees to enhance coordinated assurance over organisational performance. Generally, performance reports have been positive. Activity on significant programmes and projects has generally secured agreed objectives with minor deviations noted, as has been more fully represented in corporate performance reporting to the full board.
6. The Committee has agreed a planned scope of activity for the coming year, covering the following areas of the Park Authority's activities:
  - a) Cairngorms 2030 – quarterly update;
  - b) Peatland restoration programme;
  - c) Capercaillie project closure and legacy;
  - d) Community Led Local Development and Cairngorms Trust;
  - e) Cairngorms Nature Action Plan Delivery (including coverage of Beaver project; Wildcat project; and woodland restoration);
  - f) Ranger Services;
  - g) Other one-off reports on key project activities as identified by members from time to time.

## Conclusions

7. The Performance Committee has operated over the period to provide the elements of governance and assurance systems as set out in the terms of reference for board committees. This has been reinforced by internal audit reports on performance management conducted in the prior reporting period and reported to the Audit and Risk Committee.
8. Current members believe they have a clear focus for the year ahead and have scoped the forward agenda for the Committee accordingly.
9. The Committee's members have expressed their gratitude for the support of officers provided over the year; for full and clear papers; and for effective, helpful engagement at meetings.