

CAIRNGORMS NATIONAL PARK AUTHORITY

Minutes of the Audit Committee

Held at the Park Authority Offices, Ballater
Friday 25 August 2006

Present

Eric Baird (Chair)
Duncan Bryden
Nonie Coulthard

Bob Wilson
Sue Walker

In Attendance

David Cameron
Stuart Sands, Deloitte
Andy Rinning

Bob Clark, Audit Scotland
Duncan Geddes, Deloitte

Apologies

Jane Hope

Welcome

1. The Chair welcomed all present to the meeting.

Apologies

2. Apologies were noted as indicated above.

Minutes of Meeting of 24 March 2006

3. The minutes of the meeting 24 March 2006 were agreed without amendment.

Matters Arising

4. With regard to point 26 of the minute of March 2006, Sue Walker enquired on the steps that had been taken to report to the full Board on their Health and Safety responsibilities. David Cameron responded that he intended to report Health and Safety progress and highlight the Board's responsibilities for this as part of the "Theme 5" update that would be presented to the full Board in September. The Board's role in Health and Safety would also feature in the Audit Committee's Annual Report to the Board.

5. Members expressed a view that they would prefer to see a separate report on this matter presented to the Board. David Cameron agreed to consider this further in developing papers for the September Board.
6. The Chair suggested that paper 1 on the current agenda should be deferred until after paper 4, in order that members' views on the draft internal control statement would properly reflect any discussion on internal audit reports. Members agreed this was appropriate.

Internal Audit Review: Financial Ledger (Paper 2)

7. Stuart Sands of Deloitte introduced this paper, highlighting in particular his finding that adequate control arrangements were in place to ensure good financial planning, financial management and reporting are achieved by the Authority. His report to members highlighted that there were a number of minor weaknesses identified and recommendations for improvement made. These points were summarised in point 1.4, page 3, of the Deloitte report presented to the Committee.
8. In discussion, members questioned the internal auditors on whether they had looked at random samples of transactions in testing, and their view as to the appropriateness of arrangements made by officers to back-up ledger data securely.
9. Stuart Sands responded that test samples had been determined on a risk-based approach and hence transaction value will have influenced those items tested.
10. As regards secure back-up, Duncan Geddes indicated that officers were taking appropriate measures based on a staged level of risk: the first priority was to ensure that back-up data was held off-site and this was being done. It was then a matter for further risk analysis to determine whether more secure off-site storage was required.
11. Members also questioned whether the numbers of sampled transactions failing to meet requirements indicated a more serious lack of control, as a consequence of agreed procedures not being followed. The internal auditors responded that their findings highlighted the need to make certain improvements to some systems to improve clarity and understanding, rather than suggesting that systems were not being followed.
12. **The Committee accepted the internal auditors' report and agreed the management responses made to recommendations.**

Internal Audit Review: Grant Awards (Paper 3)

13. Stuart Sands introduced this paper, highlighting in particular his finding that adequate control arrangements were in place to ensure that expenditure on grants is valid, appropriate and will further the aims of the Cairngorms National Park Authority. The findings of the review highlighted improvements in a number of minor, primarily administrative, aspects of grant award processes.

14. Members discussed the finding and recommendation on when formal files for grant applications should be established, in order to ensure an appropriate level of control is in place, while avoiding unnecessary and wasteful bureaucracy. Additionally, the suggestion in the audit finding of the need to retain paper copies of documents was understandable in some cases, but also potentially contrary to the efforts of the organisation to become “greener” in its operations.
15. Internal auditors accepted that effort should be most concentrated in improving process, ensuring appropriate administration, storage and hence easy retrieval of documents. Provided that adequate security of electronic data remained in place, internal and external audit advisors indicated that it would be acceptable to hold primarily electronic rather than paper based records.
16. **The Committee accepted the internal auditors’ report and agreed the management responses made to recommendations.**

Internal Audit Annual Report 2005/06 (Paper 4)

17. Duncan Geddes introduced this paper, which presented the results of Deloitte’s internal audit activities over the course of the past year. All work approved by the Committee in the 2005/06 internal audit plan had been completed, with the exception of the review of procurement. This had been deferred, with the agreement of the Head of Corporate Services, pending clarification of the requirements of the recent McClelland report on this subject.
18. Internal auditors reported that there were no outstanding follow-up recommendations to report, which they saw as very encouraging sign of the Authority’s commitment to internal control matters.
19. The Annual report set out proposed internal audit work for 2006/07 which had been discussed with the Head of Corporate Services. This planned activity sought to reduce slightly the number of internal audit days compared with previous years. Internal audit work over the last two years had now covered detailed reviews of all key control areas, and the auditors’ opinion was that they could focus more on self-assessment undertaken initially by officers in testing the ongoing refinement and improvement of systems. The level of findings from previous years and assessment of risks supported their proposals to reduce the number of planned days.
20. The Internal Audit Annual Report concluded that adequate systems of internal control were in place within the Authority.
21. Sue Walker highlighted to the Committee that members should recognise that audit terminology indicating that “adequate” controls were in place, with no significant exceptions to report, was actually a highlight for the Committee to recognise at this stage in the organisation’s development. Sue suggested that the Committee should recognise the work of David Cameron and his team for achieving this.

22. Members supported Sue's suggestion and congratulated the Corporate Services Group for their achievements over the past two years.
23. **The Committee accepted the internal auditors' report. Members also endorsed the report and welcomed its findings.**

2005/06 Accounts and Statement of Internal Control (Paper 1)

24. Bob Clark of Audit Scotland introduced this item, referring to the supplementary paper that had been sent to members by the Authority's staff on his behalf. This paper was a draft of his report on matters arising from Audit Scotland's final accounts audit. The report indicated four issues identified during the final accounts audit. Three of these were priority 2 findings. The fourth finding, which had been classed as priority 1, related to the need to retain evidence of checking and testing revisions to tax, national insurance and pension rates input to the payroll system.
25. Bob Clark also highlighted to members that the Authority's disclosure policy for the remuneration report varied somewhat from other public sector bodies. The Authority's approach had been to disclose relevant details for Board members and the Chief Executive. A number of other bodies also opted to disclose information for all members of its Senior Management Team. The reason for highlighting this disclosure policy at this point was not to indicate any audit issue for 2005/06 accounts, but to highlight that the Committee may wish to consider whether this policy should be amended for future years.
26. Bob Clark highlighted that he intended to issue an unqualified external audit statement for the 2005/06 accounts. Members welcomed this report and update.
27. David Cameron then highlighted to members that an element of the Committee's remit is to provide advice to the Accountable Officer on completion of the Statement of Internal Control. This statement forms part of the preface to the accounts. Accordingly, the Audit Committee is requested to consider the draft Statement of Internal Control presented In Paper 1 in light of their experience of internal and external auditors' reports, and of reports from the Authority's management, brought to the Committee over the course of the year.
28. **Members approved the draft Statement of Internal Control as set out in Paper 1 and as included in the draft accounts for 2005/06.**

Health and Safety Policy (Paper 5)

29. Andy Rinning introduced this paper, updating the Committee on the current position in managing health and Safety within the Authority. A qualified Health and Safety consultant had been commissioned to carry out an examination of premises and a review of existing procedures and documentation. Fire and building risk assessments

had now been received, along with reports on procedures, with recommendations being considered for implementation.

30. Members asked whether further, formal arrangements were required to cover Health and Safety within the organisation, for example the establishment of a Health and Safety Committee. David Cameron indicated that one of the central remits for the Staff Consultative Forum (SCF) was to consider Health and Safety and these issues formed a standing item on the SCF agenda. He understood that this met the Authority's legal obligation but indicated that officers would check further.

31. **Members noted the report.**

Information Technology Contingency Planning and Business Continuity (Paper 6)

32. Andy Rinning indicated that this paper followed up, in part, internal audit reviews of server security and IT risk management.

33. **Members noted the current position and risk assessment.**

Strategic Risk Register (Paper 7)

34. **Members noted that the Management Team has begun the process of reviewing and updating the Authority's Strategic Risk Register each quarter.**

35. **Members noted the updated Strategic Risk Register, as at 31 July 2006, presented with this paper.**

Standing Item: Update on Internal Audit Recommendations (Paper 8)

36. **Members noted progress made to date on previous internal audit recommendations.**

Freedom of Information (Paper 9)

37. The paper set out the current position on the Authority's management of requests for information under the Freedom of Information Act 2002. Over the last 18 months, 82 requests for information had been treated as requests for information under the Act. All had been replied to within the prescribed period.

38. **The Committee noted the current position on Freedom of Information.**

Date of Next Meeting

39. The next meeting of the Committee would be Friday, 15 December, in Grantown.