

# CAIRNGORMS NATIONAL PARK AUTHORITY

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## FOR INFORMATION

**Title: BOARD COMMITTEES ANNUAL REPORTS**

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### **Purpose**

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

### **Recommendations**

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

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

### **Background**

The Authority has now completed the first year of operation of its revised Committee structure.

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. Due to the Audit & Risk Committee meeting being scheduled on 23<sup>rd</sup> September, its Annual Report will be presented to the Board at its November meeting.

**David Cameron**

**12 August 2022**

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## **Performance Committee Annual Report to Board for Period August 2021 to August 2022**

### **Activity in Period**

1. The Performance Committee was established following a review of the Cairngorms NPA's board committee structures over the first quarter of 2021/22.
2. The Committee met for the first time in August 2021 and has met a total of five times up to and including the meeting of 12 August 2022.
3. The Committee has sought assurance over the performance of the following programmes and major projects where the Cairngorms NPA leads deliver or holds significant responsibility as a lead applicant and / or accountable body for funding deployed:
  - a) Cairngorms Capercaillie Project;
  - b) Cairngorms LEADER and Cairngorms Trust delivery;
  - c) Badenoch Great Place Project;
  - d) Cairngorms Peatland ACTION Programme;
  - e) Cairngorms 2030 Heritage Horizons Programme;
  - f) Evolution of Community Led Local Development Funding approaches.
4. The Committee has also considered the following aspects of its operations:
  - a) Review of terms of reference.
  - b) Development of a standard format of programme and project reporting to the committee.
  - c) Development of a performance dashboard for overview of performance by the committee.
  - d) Development of private finance approaches.
  - e) Initial consideration of criteria for identifying appropriate areas to report to the committee.

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

5. The Committee, as a new aspect of the Cairngorms NPA assurance processes, has worked over the year to understand its remit and its role in the context of other committees and governance structures and evolve appropriate reporting structures and points of focus. Overall, the committee feels it has been successful in this work. Appropriate areas of overlap with other committees on resource and risk management have been recognised and minimised. Key areas of the Cairngorms NPA managed, and partner led activities have been identified for reporting with a template reporting structure established. Use of existing reports has been maximised to minimise additional reporting burdens on staff.
6. The Committee had a consistent membership over the course of the year with excellent attendance and engagement by members in matters covered.

7. The Committee has not identified any changes required to its terms of reference over the course of this reporting period.
8. There have been no instances of need for escalation of concerns to the full board. Some matters of concern around levels of resourcing and capacity falling below requirement for Heritage Horizons and Peatland Programmes and the assessed potential risks around those 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.
9. The initial scheduling of four committees on the same day has been challenging for timing of meetings; keeping meetings to time while allowing full and valuable discussions to take place; and on officer support time. The change to holding performance committee meetings as part of a schedule of three committees is welcomed and will be monitored for effectiveness.
10. The Committee has evolved a standard format for reporting over the year, based on experience and feedback over several committee cycles and the development of a template by the Director of Corporate Services with the approval of the Senior Management Team.

## **Conclusions**

11. The operation of the Performance Committee has provided an important and effective additional element of assurance to the Cairngorms NPA's governance and assurance systems. This has been reinforced by preliminary internal audit reports on performance management conducted in the year and to be reported to the Audit and Risk Committee.
12. 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.
13. 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.
14. The Committee has been keen to foster a trusting and open approach to its work and, as a result, it has been possible to have some very full and frank discussions on some of the reports it has considered.

## **Governance Committee Annual Report to Board for Period August 2021 to August 2022**

### **Activity in Period**

1. The Governance Committee was established following a review of the Cairngorms NPA'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 for the first time in August 2021 and has met a total of five times up to and including the meeting of 12 August 2022.
3. The Committee has sought assurance over the following key aspects of the Cairngorms NPA'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) Development of private finance and green finance initiatives.
  - d) Board complaints procedure.
  - e) Board development, evaluation, and training.
  - f) Board appointment processes including development of skills matrix.
  - g) Appointment of Executive Director role.
  - h) Liaison with Scottish Ministers.
  - i) Oversight of Board business scheduling and Board agendas.
  - j) Oversight of Scottish Government strategic spending and budget review exercises.
  - k) Oversight of Board's digital and virtual operations: hybrid meetings, development, support requirements and implementation of Board portal.
  - l) Oversight of evolution of COVID19 business continuity responses.
  - m) Checkpoint reviews of key programmes and projects: including Heritage Horizons Cairngorms 2030 Programme, Cairngorms Capercaillie project, and peatland restoration green finance activities.
  - n) New Model Code of Conduct development and implementation.
  - o) Board members' commitments to external organisations.

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

4. The Committee, as a new aspect of the Cairngorms NPA assurance processes, has worked over the year to understand its remit and its role in the context of other committees and governance structures and evolve appropriate reporting structures and points of focus. Overall, the committee feels it has been successful in this work. Appropriate areas of overlap with other committees on performance, resources and risk management have been recognised and duplicate work has attempted to be minimised.
5. The Committee had a consistent membership over the course of the year with excellent attendance and engagement by members in matters covered. The

Committee is open to for attendance by any Board member where members have an interest on any specific matter under discussion.

6. The Committee has not identified any changes required to its terms of reference over the course of this reporting period.
7. 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 to the full Board in terms of events identified requiring matters to be raised with the Board as exceptional items. Some minor matters have been made known to other committees to enhance coordinated assurance over organisational performance.
8. The initial scheduling of four committees on the same day has been challenging for timing of meetings; keeping meetings to time while allowing full and valuable discussions to take place; and on officer support time. The change to holding Governance committee meetings as part of a schedule of three committees is welcomed and will be monitored for effectiveness.
9. The Committee are of the view that the adaptation and enhancements made to the Cairngorms NPA committee structure in 2021 have made a positive contribution to the overview and scrutiny of the work of the organisation and significantly enhanced levels of assurance. The Performance Committee in particular has led to a material improvement in levels of assurance, enabling regular deep dives into major project and programme work and, through doing so, improving board governance and scrutiny. The combination of oversight of both staff and financial resource deployment into a single Resources Committee has also provided for enhanced overview and assurance through more integrated analysis and review of deployment of the Authority's total resources.

## **Conclusions**

10. The Committee believes that the establishment of the Committee has made a positive enhancement to the assurance processes of the Cairngorms NPA, formalising and scheduling key governance overview activities and discussions which had previously been on a more ad hoc basis. The operation of the Resources Committee has provided an important and effective element of assurance to the Cairngorms NPA's governance and assurance systems.
11. The Committee believes there are no significant changes needed in the Committee's operations over the coming year.
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.

## **Resources Committee Annual Report to Board for Period August 2021 to August 2022**

### **Activity in Period**

1. The Resources Committee was established following a review of the Cairngorms NPA'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 for the first time in August 2021 and has met a total of five times up to and including the meeting of 12 August 2022.
3. The Committee has sought assurance over the following key aspects of the Cairngorms NPA's operations over the course of the reporting period:
  - a) Staff pay award effective from 1 April 2022;
  - b) Development of 2022/23 budget;
  - c) Budget monitoring for both 2021/22 and 2022/23;
  - d) Draft financial outturn position for 2021/22;
  - e) Delivering the Cairngorms NPA's Equality Duties;
  - f) Staff engagement, including the results of the staff survey and Staff Consultative Forum discussions;
  - g) Evolution of staff terms and conditions, particularly around the development of 35 hour working week proposals;
  - h) The Right to Disconnect Charter;
  - i) Health and Safety operations;
4. The Committee also initiated consideration of 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. The Committee will take this aspect of work forward in future years.

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

5. The Committee, as a new aspect of the Cairngorms NPA assurance processes, has worked over the year to understand its remit and its role in the context of other committees and governance structures and evolve appropriate reporting structures and points of focus. Overall, the committee feels it has been successful in this work. Appropriate areas of overlap with other committees on performance and risk management have been recognised and minimised.
6. The Committee had a consistent membership over the course of the year with excellent attendance and engagement by members in matters covered.
7. The Committee has not identified any changes required to its terms of reference over the course of this reporting period.

8. 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.
9. The initial scheduling of four committees on the same day has been challenging for timing of meetings; keeping meetings to time while allowing full and valuable discussions to take place; and on officer support time. The change to holding performance committee meetings as part of a schedule of three committees is welcomed and will be monitored for effectiveness.

## **Conclusions**

10. The operation of the Resources Committee has provided an important and effective element of assurance to the Cairngorms NPA's governance and assurance systems.
11. Members believe the combination of the remits of two committees into a single committee scrutinising the key areas of financial and staff resources, in addition to some oversight of wider resources work in the deployment of offices and other facilities, has given an enhanced level of assurance over these key areas. The Committee's view therefore after the first year of operation is that the Committee should be retained as an element of the Cairngorms NPA's governance and assurance framework under its current remit.
12. 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.
13. 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.

**Audit and Risk Committee Annual Report to Board for Period August  
2021  
to August 2022**

**Key Activities**

- I. 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 & 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 Corporate Plan for 2018/2022 and transitional plan for 2022/23 throughout the period, and scrutinised adequacy of mitigation action, in periods between full Board considerations of risk management.
  - b) Business Continuity Plan (BCP) Deployment, Adaptation and Risk Management: the Committee has continued to take oversight of managements deployment of the Authority's BCP and has undertaken regular reviews of the BCP Risk Register to ensure appropriate mitigation of risks in BCP deployment had been designed and implemented, and that positive effects of risk management have been realised as intended. This process was signed off as no longer meriting strategic oversight by the Committee as the organisation began the move from BCP deployment into hybrid working.
  - c) 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.
  - d) LEADER: the Authority, as lead body for the management and administration of EU LEADER funding within Cairngorms, has a responsibility to arrange for appropriate internal audit of its LEADER activities under the terms of the service level agreement with the Scottish Government. The Committee has considered internal audit reports on the LEADER programme. The Committee can provide assurance on the effective administration of the LEADER grants from these internal audit reports, and of the management of the Authority's potential financial liabilities arising from our Accountable Body role from scrutiny of reporting on strategic risk management.
  - 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) **Governance considerations:** the Committee has considered the development of the Park Authority's Governance Responsibility Framework and feedback on the board's election process.
- h) **Best Value and Governance:** the Committee considered the review of the terms of reference of all board Committees following the review of committee structure in 2021, and its fit within that new structure in order to ensure effective service delivery within the context of the work of the wider governance arrangements.
- i) **Updates on progress in implementing previous audit recommendations:** the Committee has now implemented a twice yearly audit review of action taken on previous audit recommendations, supplemented from time to time by management reports.
- j) **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 2021/22 with a plan for 2022/23 agreed and currently under delivery.
- k) **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 2019/20 and conduct of the Authority's financial and wider control procedures over the course of the year.
- l) **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**

2. The Committee agree an annual internal audit work programme presented by the internal auditor.
  
3. 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.
  
4. 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
The 2021/22 studies were:				
	Very High	High	Moderate	Limited

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LEADER Administration (Oct 21)	0	0	2	2
Financial Management Reporting (Feb 22)	0	0	3	0
Major Project Assurance (Feb 22)	0	0	2	0
ICT Strategy (May 22)	0	2	2	0
Cyber Security (May 22)	0	2	1	0
Total for period	0	4	10	2

Key -

Azets definition of grades for management action recommendations:

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

5. The Committee welcomes the fact that once again there have been no highest grade recommendations raised by internal audit over the course of the period covered by this report. 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..
6. 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.
7. 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.
8. The Committee has considered the Internal Auditors' Annual Report for 2021/22. The internal auditor's annual report for the year gives the following overall opinion: "In our opinion CNPA has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives".

## **External Audit**

9. The Authority's accounts for 2020/21 received a clear, unqualified external auditor's report and opinion from Grant Thornton, our external auditors.
10. The accounts and external auditor's report for 2019/20 were considered and approved by the Committee at its meeting on 10 September 2021. 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.
11. 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 10 September 2020. The report highlighted only one action point, referencing the requirement to ensure appropriate processes and resources were put in place to administer and claim the sizeable National Lottery Fund Heritage Horizons grant. This action was accepted by management and the Committee and was an action which management were already progressing.
12. The external audit report noted that the single action point noted in the prior year had been fully closed.
13. The external audit report noted that complete draft financial statements, including the Performance Report, Accountability Report and Governance Statement within the agreed timescales.

## **Strategic Risk Management**

14. 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 it reflects the delivery priorities and strategic environment of the Authority in its delivery of our new Corporate Plan for 2018 to 2022 and transitional plan for 2022/23. The Board reviews the strategic risk register twice each year, while considering wider corporate performance reports. The Audit & Risk Committee will continue to review the coverage and adequacy of the strategic risk register in those quarters where it is not presented to the full Board.

## **Conclusions**

15. 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.
16. The Committee welcomes the work of the Authority's finance team in once again maintaining a high quality and professional financial accounting service within agreed

audit timescales despite the varied pressures of remote working and other BCP and COVID19 impacts. The Committee also greatly appreciates the work of the internal and external auditors in adapting their working practices to deal with the impacts of COVID19 over the last year.

17. 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.
18. 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.
19. It is also reassuring for Committee members to see once again that audit recommendations have typically been of a low or moderate risk level. 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 generally effective control systems evidenced by the reports and very low level of improvement recommendations arising from audits over the year.
20. The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.
21. 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.