MINUTES of MEETING of the AUDIT COMMITTEE of

THE CAIRNGORMS NATIONAL PARK AUTHORITY

held at Cairngorm Hotel, Aviemore on 26 April 2013

Present:

Angela Douglas
Brian Wood
Janette Gaul
Gregor Hutcheon (Chair)

In Attendance:

Asif Haseeb, Audit Scotland
David Cameron, Corporate Services Director
Eleanor Mackintiosh, Board member

Apologies:

Gordon Riddler
Grant Moir, Chief Executive
Brian Curran, KPMG
Daniel Ralph, Interim Finance Manager

Welcome and Apologies

David Cameron reported above apologies.

Minutes of Previous Meetings

1. Minutes of the meeting of 15 March 2013 were approved. Members also wished to have noted their gratitude to Alistair Highet for all his greatly appreciated work and support given to the Committee over the previous years.

Matters Arising

2. David Cameron highlighted that two actions remained open as a result of wider demands on staff time – the presentation of a draft sustainable procurement policy and an update on Best Value Guidance. Both actions were in progress. Members noted this progress against actions identified by the Committee.

Audit Scotland Key Controls Report (Paper 1)

3. This paper set out the results of Audit Scotland's review of the Authority's key control systems as an element of their 2012/13 External Audit.

4. The overall conclusion drawn from the review is that systems tested operate effectively, allowing the auditors to take assurance from these systems for the audit of the financial statements.

5. The report highlights 3 risk areas identified during the review of the controls, which are set out at Appendix 1 to the report along with the Authority's management responses. All three risk areas were deemed by Audit Scotland to be not significant and do not represent major control weaknesses, with actions required being minor housekeeping issues. Audit Scotland do not propose to undertake any additional audit work as a result of any of these three minor findings.

6. Members discussed the findings set out in the report and noted that findings typically related to further strengthening of existing operational controls rather than representing any gaps in control frameworks.

7. **Members noted that the management responses agreed to implement the required actions to address the identified improvements. No other issues were identified as regards the findings.**

8. **Members noted the report, and welcomed the overall strength of the control systems in place within the Authority**.

Intangible Assets Policy (Paper 2)

9. David introduced this paper, which set out a response on accounting for intangible assets in follow up to the Audit Scotland report on the 2011/12 audit. This policy potentially impacts on the Authority's disclosure of values of software bought and in use as an intangible asset, while also considering the potential treatment of the Cairngorms NP brand as an asset.

10. On the subject of the disclosure of software purchased and in use, David highlighted that the value of software assets as at 31 March 2013 was only £275 and this is not considered to be material in terms of the Authority's asset values for separate disclosure as at the end of 2012/13.

11. However, the accounting principle underpinning the consideration of separate disclosure of software as an intangible asset for future years was considered to be correct. The paper therefore proposed that an additional accounting policy be adopted to that effect, recognising that disclosure under that policy is unlikely to be implemented until 31 March 2014 to cover any new acquisitions in 2013/14 financial year.

12. With regard to the Brand, David highlighted that the paper recognised that this is a complex matter. The brand had been developed and is owned by the National Park Authority as a brand identity for the National Park as a whole. The ongoing, annual costs of managing and maintaining the brand had been treated as revenue costs annually and this seemed to remain the correct treatment of these costs. The costs of the initial development of the brand itself, the design and associated costs, could have been capitalised and written off over time.

13. However, the paper recognised that the management of the brand was delivered to some extent at arms length of the Authority, with the organisation not necessarily having direct control of the management of the brand therefore as an asset. For this reason, the brand had continued to not be recognised as an intangible asset on the Authority's balance sheet.

14. Members discussed the paper in some detail, focusing in particular on the brand and the brand management arrangements. It was accepted that the current brand management arrangements were to some extent divorced from the direct control of the Board or Authority's staff group and exercised instead by the Brand Management Group. While there was some membership on this group by the Authority's representatives, it did not have a direct controlling influence.

15. Following detailed discussion, all present agreed that the continuing treatment of not recognising an intangible asset in respect of the brand remained an appropriate accounting treatment. Members also noted that this treatment must be kept under review should the brand management arrangements be changed at all.

16. **Members agreed adoption of an additional accounting policy for the 2012/13 accounts as follows: Non-current assets – intangible assets b) 1.5 Copyrights and software licences are disclosed as intangible assets in accordance with Financial Reporting Manual (FReM) guidelines and are written down on a straight line basis over their expected useful lives.**

17. **Members agreed in this regard that as the NBV at 31 March 2013 is £275 we propose to include a statement in the non-current asset note that IT includes the NBV of intangible assets of £275 (2012: £6,213) at the relevant year ends. Any future material purchases of software will be separately disclosed**

18. **Members agreed the continuation of the current accounting treatment of the National Park brand in not capitalising the development costs as an intangible asset. Members agreed this policy should continue to be reviewed in light of any changes in brand management arrangements, with a greater level of control over the brand directly by the Authority suggesting its recognition as an intangible asset at that point.**

Internal Audit Update

19. David provided an update on internal audit work in the absence of Brian Curran of KPMG.

20. Two internal audit reviews had been completed in terms of required fieldwork and interviews with staff, covering visitor experience and partnership working arrangements. These two internal audit reviews would complete the 2012/13 internal audit plan when submitted and the internal auditors' annual report would also follow from KPMG at that point.

21. David hoped that the audit reports would be completed in the next couple of weeks, in which case these could be circulated around members in advance of the next Committee meeting. This could help time management at the next meeting, at which it was intended that the final accounts for 2012/13 will be considered. David had

received an update from KPMG indicating that the reports only set out 1 or 2 low priority recommendations for the Authority in each review area and therefore he did not believe there would be any contentious matters for consideration.

22. Members noted this update and confirmed that consideration of the internal audit reports by correspondence would be acceptable.

Any Other Competent Business

23. There were no other items of business considered.

Date of Next Meeting

24. 24 June, Ballater [subsequently changed to Boat of Garten].

Audit Committee: Outstanding Actions

Action	Status
Submit Sustainable Procurement Policy for Committee's consideration once drafted, to support actions around local procurement where possible within agreed procurement strategy (March 2012 meeting)	Open – in progress and scheduled for September 2013 meeting.
Present updated review of Best Value against current guidance to Committee for consideration. (September 2012 meeting)	Open – in progress and for submission to Management Team prior to submission to Committee.
Review draft strategic risk register by management team before presenting to Audit Committee for formal adoption (April 2013 meeting)	Open

Informal Discussion Session: Risk Management

25. David introduced the updated draft strategic risk register developed following the workshop held with members and some senior staff.

26. As agreed at the end of the workshop, David had refined some of the wording of the risks identified and also set out an initial proposal on the scoring of the likelihood and impact score of the risks identified. Risks had been scored on each measure between 1 (low) and 5 (high) giving a maximum score of 25.

27. Analysis of the draft register indicated that setting a "risk appetite" at a score of 15 or below for risks that would be accepted and delegated to operational staff to monitor would leave around 23 or 24 strategic level risks to remain on the register for active management and consideration by the Management Team and Audit Committee.

28. David reported that he had also incorporated risk mitigation measures identified at the workshop and added some thoughts where gaps seemed to remain on potential mitigation action. Risks had been scored again for likelihood and impact after taking the potential benefits of the proposed mitigation measures into account.

29. Members considered the draft risk register in some detail. Overall, members agreed that the draft risk register set out a very comprehensive statement of the risks identified at the workshop and the scores and mitigation measures seemed generally appropriate. A number of specific adjustments were made, including re-scoring a number of risks as regards their likelihood and impact. These alterations were noted by David for subsequent incorporation into the register prior to its consideration by Management Team.

30. Members agreed that the next steps should be for David to present the updated risk register to Management Team for any final adjustments and additions to be made. Following that, the register would be presented back to Committee for formal adoption together with a refreshed risk management policy. The register would then be reported onwards to the full Board, either as a stand alone paper or as part of the Annual Report of the Committee to the Board.