

CAIRNGORMS NATIONAL PARK AUTHORITY

Minutes of the Audit Committee

Held at the Albert Hall, Ballater
26th June 2009, 9:00am

Present

Eric Baird (Chair)
Ian MacKintosh
Sue Walker

Fiona Murdoch
Lucy Grant

In Attendance

Lisa MacDonald (Deloitte)
David Cameron, Head of Corporate Services
Alistair Hight, Finance Manager
Stephen O'Hagan, Alison MacDonald - Audit Scotland
Eleanor Mackintosh, CNPA Board member (Chair of Finance Committee)

Apologies

Jane Hope, Chief Executive

Welcome

1. The Chair welcomed all present and thanked them for their attendance.

Apologies

2. Apologies as recorded above were noted.

Minutes of Meeting of 17 April 2009

3. The minutes were confirmed as an accurate record.

Matters Arising

4. With regard to the project management review reports, and paragraph 12 of the minute in particular, members discussed the point that the objectives established for projects were not always as "SMART" as they might be. Lisa MacDonald confirmed that this had posed some problems for audit review, where it was difficult to establish

to extent to which planned contribution to more strategic outcomes had been achieved in some instances.

5. On the update on internal audit activity, Lisa and David Cameron confirmed that the report on the audit of LEADER administration and adherence to the terms of the service level agreement with Scottish Government would be presented to the next meeting of the Committee.

Internal Audit Review: Financial Controls (Paper 1)

6. Lisa MacDonald introduced this item, reporting on the outcome of Deloitte's review of the Authority's financial controls. The review finds that in 4 of 5 areas of financial control, adequate arrangements for financial control are in place while there is scope for improvement in certain matters. In the remaining area of control, covering cash and banking, arrangements in place are assessed as generally offering scope for improvement. Eight recommendations for action are highlighted (3 at priority 2 and 5 at priority 3).
7. In discussion, members focused on the finding that the bank signatory list was out of date. David Cameron explained that the Authority's records with the bank on authorised signatories was and always had been maintained up to date. The audit finding related to an internal list of staff who were bank signatories and had accurately highlighted that this internal listing had not been updated as amendments were made to the bank.
8. David and Lisa explained to members that findings relating to the authorisation of journal transactions related to the internal recoding of items of expenditure and income within the finance system. The journals reflected accounting transactions and did not expose any risk to processing of actual cash income and expenditure.
9. In discussing the use of electronic payments as opposed to cheques, David Cameron reported that the Authority was making use of electronic (BACS) transaction processing. However, this was not being implemented as a standard payment method as many small businesses still were either unable or unwilling to transact with the Authority in this way and he was seeking to ensure that the Authority's financial regulations did not act to discriminate in any way against small, often local businesses.
10. **Members thanked the internal auditors for the report and endorsed the management responses to the recommendations for action.**

Internal Audit Review: Follow up of Previous Recommendations (Paper 2)

11. Lisa MacDonald introduced this item, reporting the internal auditor's view that good progress had been made by the Authority in implementing recommendations. There were no priority 1 recommendations to follow up on; 12 priority 2 and 18 priority 3 recommendations. Of these 30 recommendations, 22 had been fully implemented or required no further action; 7 had been partially implemented; and 1 had been found to be outstanding.

12. Lisa reported that the single outstanding recommendation, on page 5 of the report, had been a priority 2 recommendation to establish a checklist of key documents to be held on every project file.
13. In discussion, a member questioned whether this was to be seen as good progress made. It was noted that a number of recommendations were up to 2 years old. Members discussed two partially implemented actions in response to Health and Safety audit and making the Operational Plan available on the website in response to a governance audit, in addition to this outstanding recommendation.
14. David Cameron explained that with the limited resources available to both run the organisation and also to implement improvements, he had to give some sense of priority to actions and workloads. All recommendations being reported on were either at priority 2 or 3 – therefore there were no matters classed as “major” by internal audit.
15. David reported that the outstanding item was being addressed as part of the current review of financial regulations and guidance, and essential project documentation would be highlighted as part of that. In response to questions, he confirmed that this was being implemented as an additional control, and was not a requirement as a result of widespread evidence that key documents were not being appropriately retained.
16. On the Operational Plan, this was available on the website as a Board paper. It was not considered to be a particularly useful public document, as it was constructed to be a management tool for officers and Board members. As such, it was considered inappropriate to make this a prominent document on the website, nor was it appropriate to invest time and money in developing the document further for use by the public. Members suggested that, on this basis, the recommendation should in fact be classified as completed. This suggestion was agreed by the Committee.
17. Members agreed that the matters relating to Health and Safety, while procedural and related to paper trails rather than substantial issues of policy gaps, should be progressed as soon as possible and that work on Health and Safety should be a matter for a report to the Staffing and Recruitment Committee.
18. **Members agreed the follow up report, subject to the amendment at point I 6, and noted outstanding work required.**
19. **Members noted that the future schedule of outstanding recommendations will be amended to remove those recommendations now highlighted as complete, and will be presented to the next meeting of the Committee.**

Internal Audit: Annual Report 2008/09 (Paper 3)

20. Lisa MacDonald presented this paper, highlighting in particular that the annual statement on page 6 of the report. This set out that on the basis of the work

undertaken over the year to 31 March the internal auditors consider the Authority to have generally an adequate framework of control.

21. **Members welcomed the report and agreed the report as appropriate support for the Statement of Internal Control set out in the accounts for 2008/09.**

2008/09 Final Accounts (Paper 4)

22. Stephen O'Hagan introduced the Audit Scotland report on the 2008/09 audit. Stephen highlighted that the external audit work on the accounts was now substantially complete and had progressed broadly in line with the intended timetable previously approved by the Committee.
23. Stephen commented that Audit Scotland anticipated being able to issue an unqualified auditor's report later that day, subject to satisfactory review of the revised set of accounts. There were no material weaknesses in the accounting and internal control systems identified during the audit and no other significant matters to be brought to the attention of the Committee.
24. The internal audit annual report noted in the report as outstanding had been considered by the Committee today and this matter was also therefore completed. Stephen thanked the Authority's staff for their assistance in the process, in what had been a good audit process.
25. The Chair noted that the Chief Executive was clearly absent from today's meeting. The Chair explained that the Chief Executive had provided a letter to both himself and the external auditors, explaining that the accounts had been signed on the understanding from closure meetings with both external and internal audits that there were no significant matters outstanding. The Chief Executive had authorised the Head of Corporate Services, under delegation provisions previously agreed by the Audit Committee, to consider the Committee's views and to determine whether to pass the final accounts on to Audit Scotland for sign-off accordingly.
26. David Cameron reported to Committee that the accounts process had been completed a further month earlier than in previous years, continuing the process of improvement over the last 4 years. David thanked Stephen and the Audit Scotland team for their great assistance in achieving this. David also highlighted that the Authority's budget management process had been very effective in delivering a final result very close to the break even target, with a small gain or surplus of only £16,000 or 0.3% of turnover.
27. The Committee thanked Stephen for his report and also welcomed the excellent financial result and improvement in reporting timetable achieved by staff and Audit Scotland.
28. **The Committee agreed that they were happy for David Cameron to progress the accounts to final sign-off.**

Internal Audit Plan 2009/10 and 2010/11 (Paper 6)

29. Lisa MacDonald presented the proposed internal audit plan for the coming 2 years, drawn up following consideration of the Authority's new strategic risk register; discussions with senior management; consideration of previous audit plans and reports; and review of legislation.
30. In discussion, members considered the timing of the proposed review of planning enforcement activity. Members noted that there was a balance to be established between having sufficient evidence to provide a useful review to take place, while also recognising that it would be beneficial to have a review to help structure future activity. David Cameron and Lisa explained that while the review of enforcement had been included in 2009/10 activity, it would not be initiated until the last quarter of the year at the earliest, which will allow at least 18 months of activity to have taken place.
31. Lisa also reported that a separate review of planning services was being discussed with senior management. In discussion, David assured members that this would be reported to the Committee. David confirmed that all audit review activity was reported to Committee, irrespective of whether it was part of the annual plan or commissioned as additional work.
32. **Members approved the internal audit plan for 2009/10 and 2010/11.**

Internal Audit Grant Claim Reconciliation Review (Paper 6)

33. Lisa MacDonald highlighted that this report was for information, setting out work undertaken by the internal auditors in reviewing a grant claim to Highlands and Islands Enterprise (HIE) as part of their funding of the Point of Entry Marker Project.
34. The review concludes that all invoice balances reconciled to sums paid from the Authority's bank account and all expenditure was accurately and appropriately allocated to the project code.
35. **Members noted the report.**

Any Other Business

36. There were no other items of business.

Date of Next Meeting

37. The next meeting of the Committee would be Friday, 21 August, Albert Hall, Ballater.