

**Draft MINUTES of MEETING of the
AUDIT COMMITTEE of**

THE CAIRNGORMS NATIONAL PARK AUTHORITY

**held at The Grant Arms, Grantown-on-Spey
on 26 June 2015**

Present:

Gordon Riddler (Convenor)
Jeanette Gaul
Fiona Murdoch

Dave Fallows
Gregor Hutcheon

In Attendance:

Asif Haseeb, Audit Scotland
Matt Swann, KPMG
Grant Moir, Chief Executive
David Cameron, Corporate Services Director
Danie Ralph, Finance Manager
Alix Harkness, Clerk to the Board
Duncan Bryden, CNPA Board Convenor

Apologies: None.

Welcome and Apologies

1. The Convenor welcomed everyone to the meeting and the apologies were noted.

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Minutes of Previous Meeting

2. The draft minutes of the 27 March 2015 meeting were approved subject to the following amendment:
 - Brian Woods to be moved from 'Present' to 'In Attendance'

Matters Arising

3. David Cameron reported that movement on the only outstanding action listed at the bottom of the 27 March 2015 Audit Committee Minutes are:
 - a) The Action around the submission of a Sustainable Procurement Bill remains open. He advised that he had arranged a meeting with Jill Fryer to go through procurement regulations and hoped to be in the position to take an update to the Audit Committee at their next meeting.

Annual Internal Audit Report 2014/15 (Paper I)

4. Matt Swan introduced the Paper which presents the internal auditor's annual report for 2014/15.

5. The Audit Committee discussed the Paper and discussions centred around the following:
- a) Actions that are classed as overdue on page 6 of the Annex and the fact that these had progressed since the time that Annual Internal Report had been carried out.
 - b) Project Management controls recommendations had been implemented.
 - c) Appreciation that some identified actions such as those referring to the Fixed Asset Register and its process were absent from the report as they were matters raised by external rather than internal audit and therefore did not feature in this report.
 - d) The reasons for the delay in carrying out the Planning Internal Audit. Should such a risk be identified in the future, the need to highlight it to the Audit Committee as a matter of governance process.

6. The Audit Committee:

- a) **Considered the internal auditor's annual report on their activities during 2014/15;**
- b) **Agreed the incorporation of the internal auditors' overall opinion within the Governance Statement to be incorporated in the accounts for 2014/15.**

7. Action: None.

2014/15 Accounts Closure Update (Paper 2)

8. David Cameron presented an update on the process of the closure and audit of the Authority's 2014/15 accounts.
9. David Cameron highlighted to the Committee a key issue arising in completion of the final accounts process with Audit Scotland around the funding position for the Speyside Way. David explained that Sustrans had awarded funding to this project along with funding from SportScotland's Commonwealth Legacy Fund. The Authority had originally secured grant funding offers of £305,000 followed by an additional £20,000. However Sustrans constitution did not allow them to award grants other than to public bodies. Therefore the Authority took on the role to administer grant income and also to grant fund COAT who were the delivery organisation for the works. Audit Scotland did not believe that the Authority should be allowed to recognise the whole grant in the Authority's accounts for the year to 31 March 2015 because the project had not completed on the ground by 31 March.
10. David Cameron reported that, while the Authority and Audit Scotland remained at odds with their interpretation of standards, it had been agreed with the auditors to move toward their position in order to facilitate finalising accounts for 2014/15. The Authority would only recognise the level of income relating to the value of works assessed as completed at 31 March 2015. This would result in accounts which show a net overspend of £107,000. David explained that the Finance and Delivery Committee at their last meeting had agreed to put in a paragraph in the narrative at the beginning of the Annual Accounts to explain and make reference to this major project that spanned the financial year, and that net outgoing resources resulting

from project delivery and financing in 2014/15 would be offset by net incoming resource position in the following year.

11. Asif Haseeb advised that part of the their problem was that originally the funding offer had been for £200,000 and then another £100,000 followed and subsequently another £25,000 and both of these later amounts were agreed via email or through on site discussions. Danie confirmed that these payments could be seen through the Authority's bank accounts.
12. Asif referred to the Scottish Public Body Manual and Audit Scotland's interpretation of the guidelines. David reminded the Audit Committee that extension of the Speyside Way project was under the direction of the Minister. He added that there was an annex to an annex of the Scottish Public Manual that contained a clause that related to working with community and charitable bodies that need help with cash flow to make activities viable.
13. Grant advised that the Scottish Government Sponsor team were happy with this arrangement.
14. The Audit Committee discussed the Paper and made the following comments/ points of clarification:
 - a) Clarification that this was the first time that an ongoing commitment had spanned into the subsequent financial year. David confirmed that it was.
 - b) Concern was raised that terms and condition of a grant could be changed via a phone call. Grant advised that it had been an opportunist way of getting the funding, had the opportunity not been taken up then the work (the path) would not have been built. Grant confirmed that in future practises they would ensure that any promises of funding would have a secure paper trail.
 - c) Could the Project Management policy have helped to deal with this problem before it arose? David advised that the project management policy focuses on planning a project and ensuring internal communications are in place. He added that if a project board had been in place for this then this would have been one of the things they would likely have checked.
 - d) A suggestion was made that David Cameron create a lessons learnt report back to Audit Committee that contains actions for improvements to be made to the project management policy to safe guard such a situation happening again. David agreed to do this.
 - e) A suggestion was made that the timetable for running the accounts closure process could be reviewed in the December Audit Plan.
 - f) A suggestion was made to make the Finance Manager aware of any additional funding as it is granted to avoid the extra work involved looking for it, after the event.
 - g) A suggestion was made to include a clause in the Authority's offer letters that covers the possibility of mid project additions to scope and / or funding and arrangements for dealing with such instances, and to encourage Partners to do the same.
 - h) Agreement that it was positive to see the Authority and Audit Scotland having worked well together to reach an agreement.

- i) All agreed that it was welcomed that the Authority had secured such a valuable and sizeable investment from these other funders into a key investment priority and that the difficulties encountered in finalising accounts as a result of specific complexities of the transactions should not obscure this point. Nevertheless it was worthwhile to learn from the process this year.

15. The Audit Committee:

- a) **Noted a delay in the completion of the final accounts;**
- b) **Considered the update on the accounts production and audit process;**
- c) **Noted the revised target of August for completion of the audited accounts process.**

16. Actions:

- i. **In future, verbal promises of funding to be followed up with a secure paper trail.**
- ii. **David Cameron to provide a report to Audit Committee that states the lessons learnt and that contains an action plan for moving forward.**
- iii. **A clause to be added to future funding letters to allow more flexibility.**

17. The Audit Committee Convenor thanked Asif and David for their efforts.

2015/16 Annual Internal Audit Plan (Paper 3)

18. Matt Swan presented KPMG's draft Annual Internal Audit Plan for 2015/16. He highlighted that the days scheduled to focus on Planning had not been used in the 2014/15 period and that page 5 of the Annex would be amended to reflect that.

19. Members discussed the following points:

- a) Clarification as to what was meant by commercial activities. David advised that this would cover the totality of commercial development such as the work with UK National Parks; merchandising; the co-location of partner organisations in the Ballater office as well as some of the shared services work with Loch Lomond and Trossachs National Park.
- b) In reference to page 8 of the Annex, agreement that it was helpful to have points 2a and 2b factored in to provide flexibility to the Audit Plan.
- c) With reference to the Planning processes and systems (Reference 3) on page 9 of the Annex where it refers to strategic goals, a suggestion was made to make this clearer and replace these words with 'approved Local Development Plan'. Matt agreed to amend this (A1).
- d) A suggestion was made to include all four of the Board Committees by name to improve clarity in the second paragraph of the Indicative scope section on page 11 of the Annex. Matt agreed to do this (A2).
- e) The importance of the Board to evaluate the way they are operating.
- f) A query regarding the number of days scheduled against complaints handling. David advised that as a result of new guidance put in place by the ombudsmen and the need to carry out sampling with a range of staff there was a lot of work to be carried out.

20. **Members agreed the recommendations as set out in the Paper subject to the amendments (A1-2) stated above.**

21. **Action:**

- i. **Matt to make amendments to the Annual Internal Audit Plan, labelled as A1-A2 above.**

Any Other Competent Business

22. In advance of the September Formal Board meeting, it was suggested that the Board discuss and agree at an Informal Discussion Session Board membership on groups.

Date of Next Meeting

23. The next meeting was scheduled to take place on 14 August 2015 but had been postponed to 28th August 2015. Venue to be confirmed.

Meeting closed 10.35am

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 – a Sustainable Procurement Bill is currently being progressed and this action is deferred pending its enactment.
Report on lessons learned from Speyside Way extension project and financial management arrangements (June 2015 meeting)	Open

