

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

THE CAIRNGORMS NATIONAL PARK AUTHORITY

**held via Lifesize Video Conference
on 11 September 2020**

Present:

Judith Webb (Chair)
Pippa Hadley
Janet Hunter

John Latham
Gaener Rodger (Vice Chair)

In Attendance:

Chris Brown, Scott Moncrieff
John Boyd, Grant Thornton
Grant Moir, Chief Executive
David Cameron, Corporate Services Director
Danie Ralph, Finance Manager
Alix Harkness, Clerk to Board

Apologies: Peter Argyle

Welcome and Apologies

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

Minutes of Previous Meeting

2. The draft minutes of the 12 June 2020 meeting were approved with no amendments.
3. Motion to move into confidential session for reason of information under consideration being material deemed to relate to staffing and personal matters with a clear expectation of confidentiality by third parties. Members agreed this motion.
4. The meeting broke briefly into a confidential meeting at this point to review the draft minutes of the confidential meetings on 12 June 2020 and 30th July 2020.
5. The draft confidential minutes of the 12 June 2020 meeting were approved with no amendments.
6. The draft confidential minutes of the 30 July 2020 meeting were approved with no amendments.
7. The public meeting resumed at 9.23am

Matters Arising

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee 11/09/2020

8. David Cameron, Director of Corporate Services, reported that movement on the outstanding actions listed at the end of the 12 June 2020 Audit & Risk Committee Minutes were:
- a) At Para 8i): - **In Hand** - Director of Corporate Services to investigate if automated reminders to managers to carry out performance conversations would be possible.
 - b) At Para 38i) – **Closed** - Chair to meet with BDO to close off any loose ends and then to report back to the Committee at their next meeting. Chair confirmed no response had been received as yet from BDO and that the Committee will be updated by email when contact had been made. The Chair advised she had not been able to progress it further however while nothing was of concern it would be neater to close it off.
 - c) Audit & Risk Committee Induction pack to be created – **Open** – this is on hold while we are in the midst of a pandemic.
 - d) Risk Mitigation for LEADER Accountable Body role – **In Hand** – Director of Corporate Services advised that he had recently been notified that the Head of the LEADER unit in Scottish Government is moving on and being replaced and therefore the best time to progress this would be the end of this year/ the beginning of next year.

Declarations of Interest

9. There were no interests declared.

Internal Audit Review: LEADER Administration Review (Paper 1)

10. Chris Brown, Azets, presented a paper which presents the internal auditor's review of the Authority's LEADER Administration and Accountable Body controls, and through that our compliance with the Service Level Agreement (SLA) established with Scottish Government.
11. The Chair praised the positive report and gave credit to the Director of Corporate Services and his team for what had been accomplished.
12. Members and officers gave feedback on the format of the internal audit reports at the request of Chris, as this was the first time of reporting to the Committee under the new internal audit contract. All found the layout of the reports very clear and informative. The separate grading analysis of each control area was thought to be particularly helpful. All noted that a fuller feedback is likely to be possible when reports with more recommendations for improvements is presented.
13. **The Audit & Risk Committee considered the internal auditors findings.**
14. **Action Point Arising:** None.

Internal Audit 2020/21 Progress Report (Paper 2)

15. Chris Brown, Scott Moncrieff, presented a paper which presents a summary of internal audit activity since its last meeting, and confirms the reviews planned for the coming quarter, identifying any changes to the original Annual Plan.

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee 11/09/2020

16. The Audit & Risk Committee made the following observations and comments:
- a) The Chair asked if there were any slippages expected in reports this year. Chris Brown advised that none were anticipated at present and as it had been an unusual year, it could still happen.
 - b) A member commented that there had been many changes recently with holidays relating to VAT and was this relevant to National Park activities and does that bring challenges? The Finance Manager advised that the Authority were currently not VAT registered and that was under review to decide if registration should be pursued. He added that this consideration would follow from the recommendations to be set out in the VAT review.
 - c) Director of Corporate Services commented on the subject matter of the planned internal audit programme and advised that they were all subjects that could be facilitated during ongoing remote working. However it would be down to workload issues on both the Authority and internal audit sides which could result in slippages. The Chair noted this and whilst recognising it was an unusual year for everyone involved she encouraged the early flagging of any slippages to this Committee.
 - d) The Chair thanked Chris Brown for the report.
17. **The Audit & Risk Committee noted the progress report.**
18. **Action Point Arising: None.**

2019/20 Final Accounts (Paper 3)

19. Danie Ralph, Finance Manager, presented and sought approval to the final accounts for 2019/20, prior to their being submitted to the external auditor for final certification. He reminded the Committee of its role with regard to the accounts – to support the Accountable Officer with regard to their personal responsibilities for risk, financial control and governance through a process of constructive challenge.
20. David Cameron, Director of Corporate Services, explained that this year the target of breaking even this year had been achieved, with total income of £8.436 million and total expenditure of £8.444million. Turnover and associated expenditure was some £1.5million increased over the previous year, resulting primarily from an increased scale of activity on Tomintoul and Glenlivet Landscape Partnership and LEADER programmes. David drew members attention again to the peculiarity of required accounts as an NDPB, which do not show Scottish Government grants as income in the Statement of Comprehensive Net Expenditure on page 52 of the accounts. This statement therefore shows a significant net expenditure position, with grants from Scottish Government added to reserves and then transferred from reserves to offset net expenditure.
21. The Audit & Risk Committee made the following observations and comments:
- a) Comment made that they liked the inclusion of infographics
 - b) The Chair commented that finalising the accounts and working remotely had been very challenging and praised the team for getting the accounts to this point and acknowledged changes were minor with anything significant being brought before the Committee.

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee 11/09/2020

- c) Comment made that the infographics were very helpful at showing the funding brought in and encouraged that this be continued by the Authority going forward.
 - d) Clarification sought as to why the sickness absence rate excluding Covid had nearly doubled on the previous year? Director of Corporate Services advised that over the course of the calendar year there had been a number of staff members who had long term sickness absence which was not work related. He explained that with a small compliment of staff, when one or two members of staff are off sick long term, this significantly skews the figures.
 - e) Comment made that the Board member annual reviews had not yet taken place. Director of Corporate Services confirmed that there had been a delay but that it was in hand and would be coming in the next few months.
 - f) A query around the Grant Aid going in as reserves, presumably the money comes in for specific projects and how accountable are they if going in there? Finance Manager advised that the Grant in Aid is claimed monthly and drawn down from Scottish Government into the Authorities bank account. Money for big projects is ring-fenced and have their own bank accounts where this is a requirement of funders. Director of Corporate Services added that the word 'reserves' used was not talking about holding funds in significant amounts at any one time, it is more to show grants received by SG coming into our reserves in accounting terms, so page 52 on accounts, show a comprehensive net expenditure on £5.046 million.
 - g) A member asked what 'outturn' means? Finance Manager advised that it was term for the year-end financial result.
 - h) Chris Brown added that all the revenue funding that the CNPA receives as government grant is not treated in accounts as income, which is consistent with all non-departmental public bodies. He explained that once all public bodies consolidate their results over the entire public sector, you would be double counting income to Government and then income to public bodies. The reason behind accounting treatment is to help consolidate the whole Scottish public sector accounts, with the purpose of the public body accounts to show how each body spent the money allocated.
 - i) The CEO praised the Director of Corporate Services and Finance Manager for all their work on this.
 - j) The Chair requested that praise from this Committee be taken to the whole finance team of the recognition of the work having gone into year end and final accounts despite the challenges of working remotely has caused.
22. **The Audit & Risk Committee approved the final accounts prior to submission to Grant Thornton and Audit Scotland for final certification.**
23. **Action Point Arising:**
- i. **Thanks to be given to the Finance team for their hard work despite challenging times (working remotely) to get the Annual Accounts ready for sign off.**

Final Accounts Letter of Representation (Paper 4)

24. David Cameron presented the proposed letter of representation highlighting to the Committee that this standard element of the accounts audit process sought

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee 11/09/2020

confirmation that all the information submitted in the accounts presented for audit are accurate and that all material information has been disclosed to the auditors.

25. The Audit & Risk Committee agreed they were comfortable with the terms of the letter presented.
26. **The Audit & Risk Committee:**
- a) **Considered the Letter of Representation for the 2019/20 audit**
 - b) **Reviewed and agreed that the letter is signed by the CEO as Accountable Officer.**
27. **Action Point Arising:** **None.**

External Audit Report (Paper 5)

28. John Boyd presented the external audit report on the 2019/20 audit, highlighting in particular that Grant Thornton proposed to issue an unqualified audit opinion. He made the following points:
- a) The version in front of members was an earlier draft, the main difference being that the outstanding items could not be circulated to management until the outturn was confirmed.
 - b) An additional audit risk had been added, Covid 19 – mandated across all Grant Thornton’s external audit work this year. The risk encompasses individual bodies working remotely, and associated risk of potential error and changes in internal control environment as a consequence of these remote working arrangements.
 - c) The audit has identified one adjustment, during course, how disclosed on final outturn position.
 - d) John drew attention around financial planning and sustainably, recognising that Covid 19 increases level of uncertainty in delivery and financial planning and noted he was aware that management are working closely with the Board and Scottish Government in this regard.
 - e) The audit had recognised the need to phase the timings of some of the big externally funded projects such as National Lottery Heritage Fund and LEADER, recognising the delay as a result of COVID19. The work in place with funders to secure agreement to rephrasing activity and expenditure provides them with assurance in this regard.
 - f) John noted that management response had been received accepted their recommendation for action.
 - g) John passed on thanks to Director of Corporate Services, Finance Manager and team, noting this has been a highly unusual year working remotely. He noted the finance team were working to have things more automated to enable processing remotely. A remaining challenge was around a lot of supporting information held in paper files. However, all in all this had been a relatively clean audit.
29. Director of Corporate Services and the Finance Manager made the following points:
- a) Agreed to circulate the most up to date version of the External Audit report to members.
 - b) Provided some narrative around the context of the accounts and audit: in the third year of a four year Corporate Plan with lots of scenario planning of

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee 11/09/2020

budgets for 2021-22. Focussing on financial uncertainties and how resources might be deployed.

- c) Have begun capturing the paperwork for the coming year which will speed up year end.
30. Members and officers expressed their thanks to the Grant Thornton team for their professionalism and good working relationships in undertaking the audit. The Chair thanked John Boyd for his clear report and presentation to the Committee.

31. **The Audit & Risk Committee noted Grant Thornton's report on the 2019/20 audit.**

32. **Action Point Arising:**

- I. Director of Corporate Services to circulate the most up to date version of the External Audit Report to the Committee.**

Risk Management Update (Paper 6)

33. David Cameron, Director of Corporate Services presented an update on the Authority's work on strategic risk management and more specific operational risk management approach during the implementation of our current business continuity plan.

34. The Audit & Risk Committee made the following observations and comments:

- a) The Committee agreed it was useful to have the business continuity risk register separate from the strategic risk register in current circumstances.
- b) Comment made that the Strategic Risk Register held too many risks considering the size of the organisation and was there anything of there that could be removed. CEO explained that it was a bit tricky as some risks were associated with the Authority and others with the National Park Area and partnership working, while the number of risks reflected the breadth of work undertaken by a relatively small organisation. He illustrated that a big risk to the national park was wildlife crime, and while aspects were in the control of the NPA, most of the control lies with Police Scotland. He agreed the need to prune the register and remove risk areas which were agreed to have been low and declining for a few cycles of review. he added that projects have their own Risk Assessments.
- c) Director of Corporate Services advised that there were 18 risks on the Strategic Risk Register currently and that 3 were flagged for removal given their continual downturn. He explained that he would feel uncomfortable reducing it any more than that given the broad acceptance of the risk areas set out. Chris Brown of Azets added that across their client base having a Strategic Risk Register of this sort of scale was common practise.
- d) CEO said that the Scottish Government had issued a letter saying their staff would be working from home until 2021, and that the Authority was about to advise all staff to not expect a return to the office until Spring 2021. The Management Team were now considering ensuring staff morale and engagement remains good and are looking to ensure we have the right IT in place to support ongoing remote working.
- e) Members asked whether discussions with staff been carried out around fuel poverty? Discussions noted people were saving travel costs, while recognising

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee 11/09/2020

heating might be an issue for people when asking staff to work from home. Director of Corporate Services agreed that this was a valid and sensitive point. He advised the Authority was currently exploring and advising staff on their ability to claim tax relief from HMRC on the allowance of £6 per week for working from home. A member noted that this would only provide tax relief and not the full £6 per week allowance. Officers reassured the committee they were mindful of staff welfare and would keep such matters on their radar.

- f) Comment made that £6 per week was not significant and asked that ways be looked into to capture real data of any financial disadvantage for staff, even if anonymised. Director of Corporate Services advised he was happy to pick up the notion, working with the staff group. He reiterated he and colleagues are very mindful of impacts of staff working from home, particularly moving to the winter months, with discussions ongoing to support staff as much as possible.
- g) Suggestion made that the above is progressed through the Staffing & Recruitment Committee. Director of Corporate Services agreed that the evolution of the organisational approach of this project would be dealt through the Staffing & recruitment Committee while this Committee identified it as part of the Risk Management review.
- h) The Chair recognised the challenges of working remotely, with emphasis on staff briefings and oversight mechanisms. The Chair noted at Board level coordination and communication are also much more challenging at moment. The Chair noted that Board cohesion needs to be captured somewhere in the risk management and response structure. CEO agreed to pick up that point and weave it into the narrative, noting the use over the COVID19 response period of Governance Group meetings and more frequent Board briefing sessions.

33. The Audit & Risk Committee:

- a) **Considered whether the Committee wishes to make any comment on the current Strategic Risk Register as presented in Board papers under the item updating on Corporate Plan and Risk Management Delivery;**
- b) **Considered the updated Business Continuity Plan (BCP) Risk Register presented at Annex I to this paper;**
- c) **Agreed any amendments to the BCP risk management approach and / or to the BCP risk register.**

34. Action Points Arising:

- i. **Director of Corporate Services to investigate the £6 working from home allowance from HMRC.**
- ii. **Director of Corporate Services potentially through the Staffing & Recruitment Committee to monitor the financial burden of working from home on staff in the winter months.**
- iii. **CEO to weave the need for Board cohesion and the challenges that working from home brings to the Board.**

Complaints Log (Paper 7)

- 35. David Cameron, Director of Corporate Services, presented paper 7 which provides an update on the complaints made to the Authority in the last 6 months.

CAIRNGORMS NATIONAL PARK AUTHORITY
Audit & Risk Committee 11/09/2020

36. The Audit & Risk Committee made the following observation and comment:
- a) With regard to the complaint referred to the Ombudsman, whether there was any indication or expectation that the Ombudsman might uphold the complaint? Director of Corporate Services advised that it was too early to tell: only preliminary contacts had been made.
37. **The Audit & Risk Committee noted the information on complaints made to the Authority.**
38. **Action Point Arising: None.**

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39. The Committee considered whether a member meeting with the auditors was required. Request made that this is arranged for the next Audit & Risk Committee. Director of Corporate Services agreed to liaise with the Clerk to the Board to schedule 10-15mins at beginning of agenda of the next meeting in November.
40. The Chair thanked everyone for their contributions today and thanked the staff and Auditors for work provided today.
41. Action Points Arising:
- i. **Clerk to the Board to schedule 15mins prior to the next Audit & Risk Committee meeting for the Committee to have some time with the Auditors.**
42. **The public meeting ended at this point. – 10.45am**

Audit & Risk Committee: Outstanding Actions

Action	Status
Audit and Risk Committee induction pack	Open
Risk mitigation for LEADER Accountable Body role	Open