



**Cairngorms National
Park Authority
Proposed Annual
Audit Report 2014/15**

August 2015

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This report has been prepared for the use of Cairngorms National Park Authority and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the audit committee and the financial statements have been laid before parliament. The information in this report may be used by Audit Scotland in any reporting to the Scottish Parliament.

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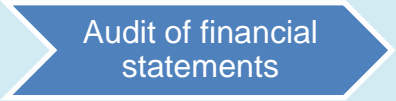

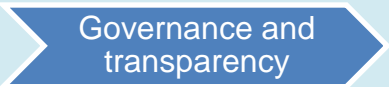

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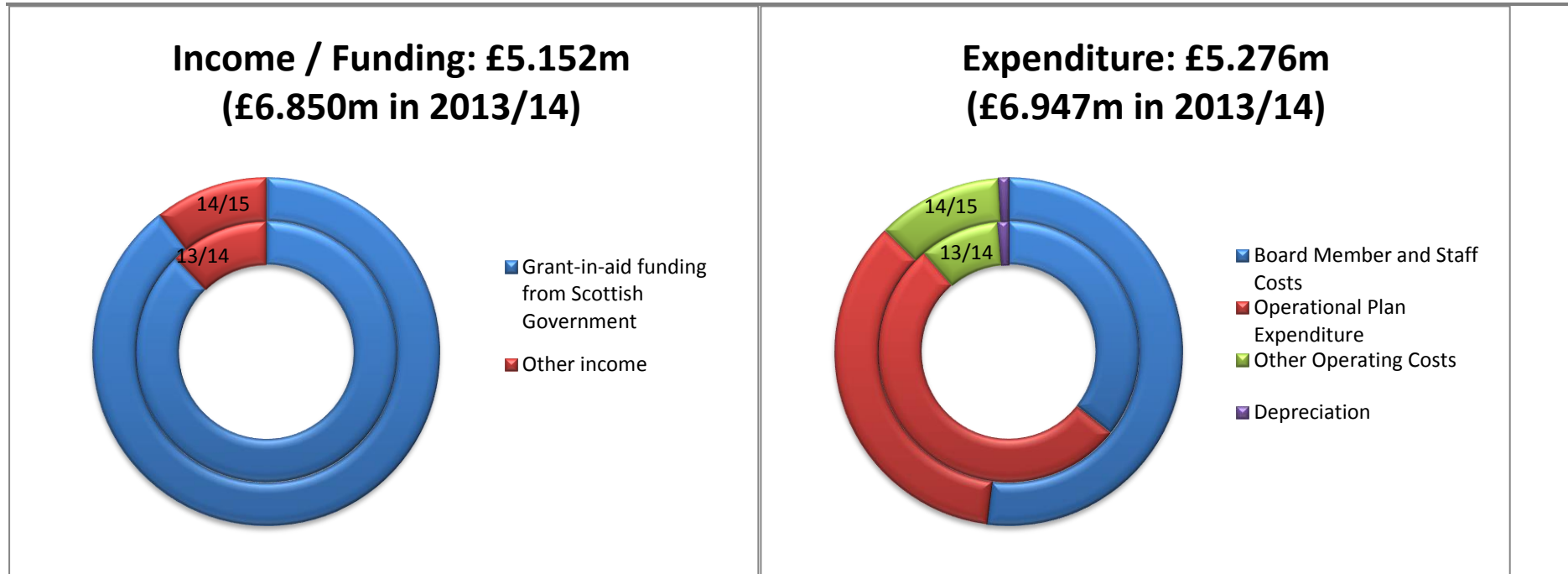
Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none"> • Unqualified independent auditor's report (audit certificate) on the 2014/15 financial statements. • Adjustments to derecognise £151,440 of accrued income from Sustrans and SportScotland and £20,000 of expenditure to COAT. • Progress made in tagging non current assets, but some assets remain untagged.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none"> • The Park Authority has an excess of expenditure over income (i.e. net expenditure) of £124,000 as a result of timing differences between making grant payments and receiving income in respect of the Speyside Way extension. • CNPA has developed high-level outline financial budgets for the next three financial years, which indicates a stable financial position
 <p>Governance and transparency</p>	<ul style="list-style-type: none"> • Overall we found that CNPA had satisfactory governance arrangements. The Park Authority is open and transparent, with Board and Committee meetings held openly and advertised on their website. • Systems of internal control operated effectively during 2014/15; however we did not place reliance on the CNPA's income controls. • We identified issues with CNPA's compliance with conditions in grant letters it received and issued. • CNPA has not finalised its Business Continuity Plan.
 <p>Outlook</p>	<ul style="list-style-type: none"> • Management should review its procedures for issuing grants and ensure that the grant letters reflect the reality of the situation.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of Cairngorms National Park Authority (“CNPA” or “the Park Authority”).
2. The Park Authority and the Chief Executive, as the Accountable Officer (appointed by Scottish Ministers), are responsible for:
 - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
 - ensuring the regularity of transactions, by putting in place systems of internal control
 - maintaining proper accounting records
 - preparing and publishing with their financial statements an annual report which includes a strategic report, directors’ report, remuneration report and a governance statement.
3. Our responsibility, as CNPA’s external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at appendices 2 and 3.
6. Appendix 4 is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Management have considered the issues and agreed to take the specific steps in the column headed "Management action / response". We recognise that not all risks can be eliminated or even minimised. What is important is that the Park Authority understands its risks and has arrangements in place to manage these risks. The committee should ensure that they are satisfied with proposed actions and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

2014/15 financial statements



- The financial statements show that Grant In Aid (“GIA”) reduced from £6.026 million in 13/14 to £4.610 million in 14/15, largely as a result of a £1.286 million reduction in the level of capital funding provided (shovel ready funding provided in 13/14). This had a similar impact on expenditure, which fell by £1.708 million as much of CNPA’s Other Expenditure relates to capital expenditure it funds for third parties.
- Other income decreased by £0.282 million as a result of a £0.425 million reduction in LEADER Programme Funding (Operational Plan Income). This is because the LEADER 2013 Programme wound down while the LEADER 2020 programme was in development.
- There was a £0.244 million increase in Board Member and Staff Costs as a result of the full-year impact of additional recruitment in 2013/14.
- CNPA had an excess of expenditure over income (i.e. net expenditure) of £0.124 million as a result of a timing difference in CNPA paying money up-front to Cairngorms Outdoor Access Trust (“COAT”) in respect of the construction of an extension to the Speyside Way. Funding for this will be reimbursed by Sustrans and SportScotland in 2015/16.

Audit of the 2014/15 financial statements

Audit opinions

Financial Statements

- The financial statements of CNPA for 2014/15 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.
- We confirm that the financial statements have been properly prepared in accordance with the 2014/15 FReM and the requirements of the National Parks (Scotland) Act 2000 and directions.

Regularity

- In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Other prescribed matters

- The remuneration report to be audited has been properly prepared in accordance with the requirements of the National Parks (Scotland) Act 2000 and directions.
- The information in the strategic report and directors' report is consistent with the financial statements.

Submission of financial statements for audit

8. We received the unaudited financial statements on 1 May 2015, in accordance with the agreed timetable. The working papers were of a good standard and officers provided support which enabled the audit team to complete our on-site fieldwork by the planned target date of 7 May 2015.
9. However, a significant number of audit issues were unresolved following our on-site audit testing. Therefore, we issued three matters arising reports to management outlining outstanding issues on 11 May, 15 May and 26 May.
10. The most significant issue related to the treatment of £151,440 of the total £325,000 grant income in respect of the Speyside Way ("Speyside Way Accrued Income"). This was significantly above our materiality threshold (£52,395) and as such, was a material misstatement. As outlined at paragraph 30 below, we disagreed with CNPA's treatment of this income and expenditure and raised this with the Director of Corporate Services at our clearance meeting on 7 May 2015. At this time, we requested supporting information including copies of grant letters and grant claims issued to and by CNPA.
11. The Director of Corporate Services provided a written response outlining his position on 20 May and additional information requested on 7 May 2015 was provided throughout May and June 2015.
12. Following subsequent lengthy correspondence, we met with the Director of Corporate Services on 5 June 2015 and agreed, in principle, an adjustment to the accounts. Management confirmed they would adjust the accounts on 17 June 2015 and we received a second draft of the annual report and accounts on 22 June. A further draft of the accounts was received on 3 July and the final draft of the accounts, with some minor presentational adjustments, was received on 22 July 2015.
13. Due to the above-mentioned issues, we were unable to meet the planned certification deadline of 24 June 2015. We were subsequently able to reach agreement with management, and therefore were able to certify the accounts following the Audit Committee meeting on 28 August 2015.

Overview of the scope of the audit of the financial statements

14. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 13 February 2015.
15. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services.
16. As a result of the number of issues found and the delays in

Audit of the 2014/15 financial statements

agreeing an adjustment to the financial statements in respect of the Speyside Way Accrued Income, we undertook a significant level of additional work, outwith our planned audit activity. However, we have absorbed this within our agreed audit fee for the financial year and, as such, our fee remains unchanged at £10,700.

17. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.
18. Appendix 1 sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
19. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

20. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. In addition, a misstatement or omission,

which would not normally be regarded as material in terms of monetary value, may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law).

21. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
22. We summarised our approach to materiality in our Annual Audit Plan. Based on the financial statements, we revised our planning materiality for 2014/15 to £52,395 (i.e. 1% of gross expenditure).
23. We also set a lower level, known as performance materiality, when defining our audit procedures. This level depends on professional judgement and is informed by a number of factors including:
 - extent of estimation and judgement within the financial statements
 - nature and extent of prior year misstatements
 - extent of audit testing coverage.
24. Performance materiality has been set at £39,296 (i.e. 75% of materiality). We report all misstatements greater than £1,000.

Audit of the 2014/15 financial statements

Evaluation of misstatements

25. During the financial statements audit, we identified a number of misstatements. We discussed these with management who made adjustments to the financial statements to address some of these errors. The more significant misstatements are outlined below at paragraph 29 onwards. There is one unadjusted error in the accounts. The result is to overstate Planning Income by £9,178 in 2014/15 and understate Planning Income by £9,178 in 2013/14.
26. As a result of adjustments to the accounts, net expenditure increased and net assets decreased by £131,000.

Significant findings from the audit

27. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
28. A number of presentational adjustments were identified within during the course of our audit. These were discussed with management who agreed to amend the financial statements.

Significant findings from the audit in accordance with ISA260

29. The following table details those issues or audit judgements that, in our view, require to be communicated to you in accordance with ISA 260.

For consideration by those charged with governance:

30. **Speyside Way Accrued Income:** In 2014/15, CNPA was offered funding by SportScotland and Sustrans to extend the Speyside Way. CNPA paid £305,000 to Cairngorms Outdoor Access Trust (“COAT”), a partner organisation within the National Park to undertake these works. The Park Authority had received confirmation from Sustrans and SportScotland that they would reimburse CNPA for the full amount paid to COAT if CNPA complied with the conditions of Sustrans’/SportScotland’s grant letters.

As part of this arrangement, COAT submitted grant claims to Sustrans and SportScotland on CNPA’s behalf. However, as at 31 March 2015, only £94,601 of grant claims had been submitted, but CNPA recognised the full £325,000 receivable from SportScotland and Sustrans under the grant letters as accrued income.

We subsequently agreed with management that all grant claims submitted by CNPA up to 8 April could be recognised as accrued income, as these claims related to work undertaken up to 31 March 2015. As a result, we agreed that a total of £173,560 income could be accrued.

As £151,440 of grant claims had not been claimed by CNPA, there was no present obligation on Sustrans or SportScotland, and therefore, the money should not have been accrued in 2014/15. As such, following a series of discussions and meetings with management, the Park Authority agreed to adjust the accounts to derecognise £151,440 of this income.

Audit of the 2014/15 financial statements

31. COAT Expenditure: CNPA had recognised £325,000 of expenditure to COAT in its financial statements and a corresponding £325,000 of accrued income from Sustrans and SportScotland. However, it had only paid £305,000 to COAT as at 31 March 2015.

Management agreed to adjust to derecognise £20,000 of expenditure, which had been recognised in error (in addition to the £20,000 of income referred to at paragraph 30 above).

32. Grant Letters Governance: CNPA did not comply with its own grant letter to COAT (as outlined above). A standard condition of the CNPA grant letter states that grants will only be paid when work is completed and a formal grant letter is submitted. However, CNPA paid the money to COAT in advance. Management advised that they needed to provide advance funding as COAT did not have sufficient cash flows to complete the project and that this was in accordance with the SPFM.

Management advised that it is common for the conditions of grant letters to be varied with the knowledge of the grant donors. Going forward, management agreed to ensure all grant letters reflect the reality of the situation and any adjustments to the grant letters are appropriately documented.

Refer to Action Point 1

33. Periodicity of Planning Income: As a planning authority, CNPA receives 60% of the planning fees when it calls in planning applications from the local authorities within the National Park. CNPA issues invoices for these planning fees on a six-monthly basis. However, £9,178 of income that was earned in January-March 2014 has been included within 2014/15 income. This should have been treated as accrued income at 31 March 2014. Therefore, 2013/14 income has been understated and 2014/15 income has been overstated by £9,178. Management decided not to adjust the accounts in respect of this error as it was below materiality.

Management advised that it had updated its procedures to ensure that this did not occur in 2014/15. We confirmed that management had accrued income earned in January-March 2015 in its 2014/15 accounts.

34. Annual Leave Accrual: The annual leave accrual should be calculated as at 31 March 2015. However, CNPA calculates its annual leave and flexi accrual up to 28 February 2015. It adjusts this calculation to include an estimate of leave taken in March.

However, this estimate is incorrect as the holiday entitlement is based on the first three months of 2015, whilst the actual leave taken is only based on the first two months. This would suggest that the annual leave accrual has an error of a factor of 1.5, as it should include an allowance for holidays taken in March 2015. As a result, the annual leave accrual is overstated by £18,700.

CNPA's holiday year runs from January to December. The brought forward holiday entitlements from 2014 have been split evenly across 2015. However, CNPA should include the brought forward balance in its entirety within the annual leave accrual balance. As a result of this the annual leave accrual is understated by £18,200.

Whilst the net effect of this error is £500, we consider that this could result in a larger error in future years. Management should review its procedures for calculating the annual leave accrual.

Management decided not to adjust the accounts in respect of this error as the net effect was not material.

Refer to Action Point 2

35. Tagging of Non Current Assets: In our 2013/14 Annual Audit Report, we reported that the Park Authority had not tagged its non current assets. We performed a review of the Park Authority's non current asset register this year and noted that whilst progress has been made in tagging assets, a number of assets have not been tagged including IT equipment. Management have since advised that in several instances, assets have been tagged, but the Fixed Asset Register has not been updated with the asset number.

There is a risk that non-current assets are materially misstated as without assets tags the Park Authority has no means of checking whether all assets owned by them are included in the asset register and whether all assets included in the asset register exist.

Refer to Action Point 3

Future accounting and auditing developments

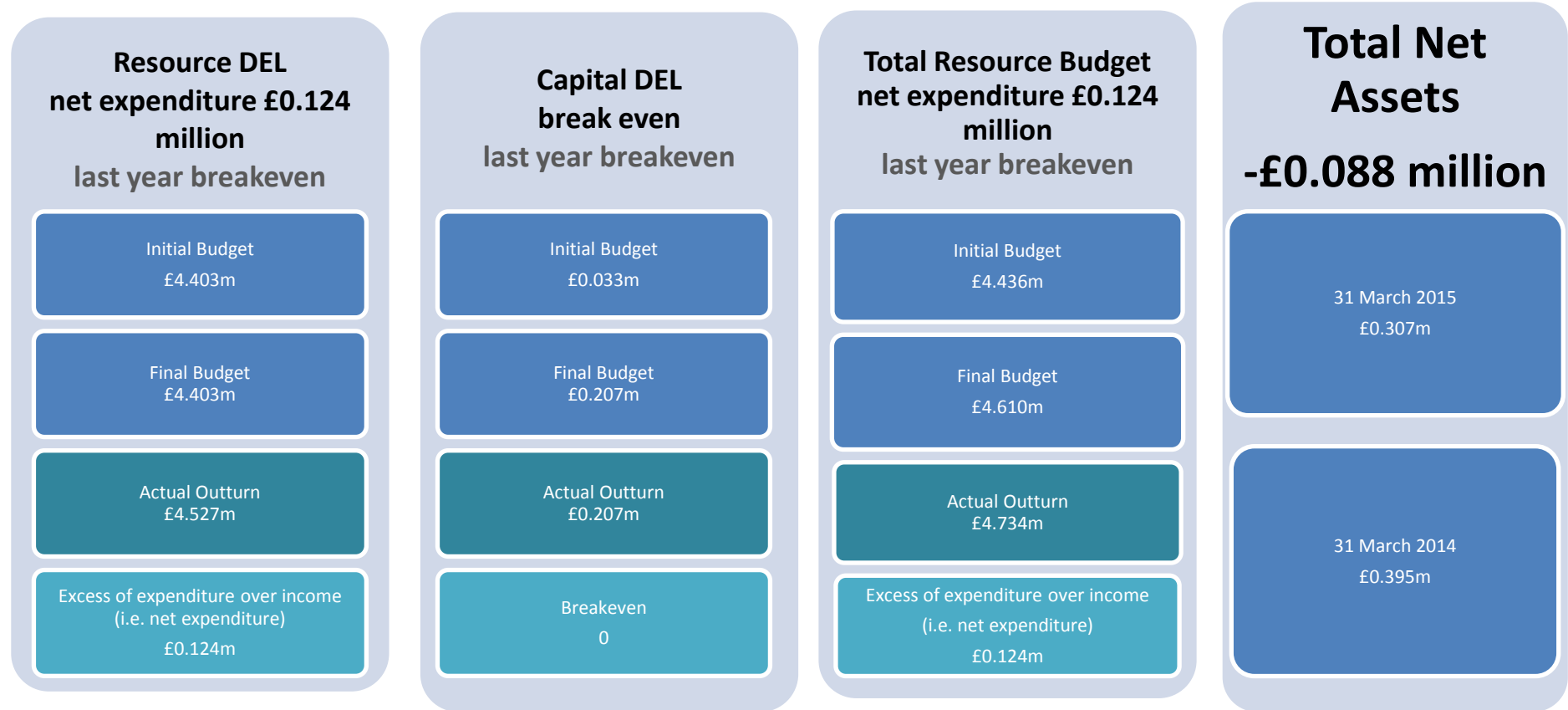
Revisions to the Financial Reporting Manual (FReM)

36. The financial statements are prepared in accordance with the Government financial reporting manual (FReM). Two significant revisions will apply from 2015/16:
- Simplification and Streamlining Project – changes to the form and content of the annual report and accounts.
 - Adoption of IFRS13 *Fair value measurement* for the first time – this also includes IAS 16 and IAS 38 adaptations.
37. **Restructuring of the annual report:** The 2015/16 FReM has been extensively re-written to require the annual report and accounts to include:
- a performance report which will give a fair, balanced and understandable analysis of performance and will include an overview section and a performance analysis section.
 - An accountability report incorporating the following three main sections:
 - corporate governance report consisting of a directors' report, a statement of the Accountable Officer's responsibilities and a governance statement

- remuneration and staff report which will cover a number of prescribed disclosures including remuneration policy, payments to directors, staff numbers and sickness absence rates
- parliamentary and accountability report which will include information on the regularity of expenditure and the independent auditor's report.

38. **International Financial Reporting Standards (IFRS) 13 Fair value measurement:** This sets out the requirements for assets to be valued at fair value and is applied in full by the FReM only to assets that are not held for their service potential (i.e. investment properties and assets held for sale). It also applies to operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market.
39. IFRS 13 does not apply to operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal. These will be valued in accordance with the adaptations to *IAS (International Accounting Standard) 16 property, plant and equipment*.
40. As the Park Authority does not hold any assets of this nature this will not impact upon their 2015/16 financial statements.

Financial management and sustainability



2014/15 financial position

41. The main financial objective for CNPA is to ensure that the financial outturn for the year on a cash basis is within the resource budget allocated by Scottish Ministers, taking one year with another. During 2014/15 the Park Authority's outturn was £4.734 million (net of £542,000 of Other Income), representing an excess of expenditure over income of £124,000 against their Resource Departmental Expenditure Limit ("DEL").
42. This was largely as a result of monies paid to COAT. We have been advised that CNPA has recovered all of the funding from Sustrans and SportScotland in April-August 2015 (i.e. in financial year 2015/16). CNPA obtained approval from its Sponsor Branch for this net expenditure position at year-end. However, as CNPA were able to fund the additional expenditure from existing cash reserves they have not breached their financial target for the year. Management anticipates that there will be a corresponding excess of income over expenditure in 2015/16 as a result of this timing difference.
43. The Park Authority's 2014/15 GIA has reduced by £1.416 million. This is largely as a result of a £1.286 million reduction in capital funding, as CNPA received one-off shovel ready funding during 2013/14.

44. Taxpayers' Equity was £0.307 million at 31 March 2015, a reduction of £0.087 million. This was largely as a result of a £0.062 million reduction in the level of cash and cash equivalents due to CNPA's payments to COAT for the Speyside Way. Despite the decrease in Taxpayers' Equity, we consider this to be indicative of a satisfactory financial position.

Financial management

45. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the officer responsible for finance has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members provide a good level of challenge and question budget holders on significant variances.
46. Based on our accumulated knowledge, our review of the Park Authority's Board papers and through our attendance at committees we conclude that CNPA has sufficient financial

Best value

management arrangements in place.

47. The arrangements for budget setting and monitoring in place at the Park Authority are satisfactory, with management monitoring income and expenditure against budget and reporting financial results four monthly to the Finance Committee.
48. As in previous years, CNPA has overprogrammed its budget for 2015/16. This is to allow for slippage in the activity plans and to enable investment to proceed quickly if additional resources are received. However, the element of overprogramming has reduced significantly from £304,000 in 2014/15 to £33,000 in 2015/16.
49. The 2015/16 revenue budget was approved by the Board at its meeting on 27 March 2015. The budget has been prepared on the assumption of Grant in Aid resource allocation funding for 2014/15 allocated to the Park Authority by the Scottish Government being £4.3 million, a small decrease from 2014/15 (£0.103 million - 2%). Income from planning fees and charges, commercial and merchandising activity and LEADER administration grant has been budgeted at £0.25 million. This brings total budgeted income for 2015/16 to £4.550 million.
50. The Park Authority has received baseline capital funding of £33,000 during 2015/16. However, management do not anticipate CNPA will receive any additional shovel-ready

funding during 2015/16.

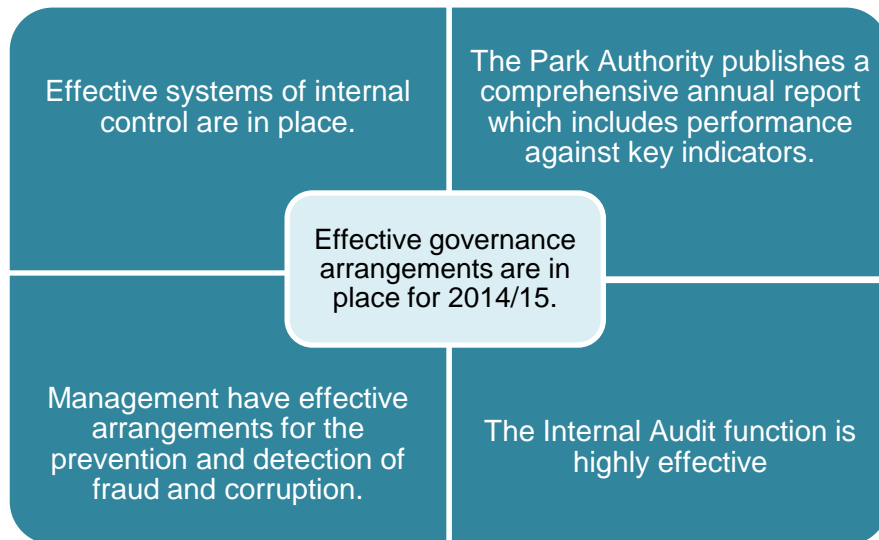
51. The Park Authority currently has detailed financial plans in place for 2015/16. It has also developed high-level outline budgets for 2016/17 and 2017/18 as part of its Corporate Plan. This indicates a stable financial position.

2015/16

52. In 2015/16, CNPA will be the lead body for a landscape partnership project for which the Tomintoul and Glenlivet Development Trust (“T&G”) was the lead applicant. T&G is an independent organisation, however the Park Authority will assist T&G by processing the payments for T&G and the income and expenditure will be processed through CNPA’s accounts.
53. In addition, the LEADER programme will restart during 2015/16, with anticipated expenditure of £275,000, which will be matched by grant income.
54. In 2015/16, the Park Authority will operate three trial balances: one for its ongoing operations, one for the LEADER grants and one for the Tomintoul Glenlivet.
55. The Park Authority should evaluate the position before the financial year end and ensure the financial information provided as a result of the new coding structure is complete and is meeting business need.

Refer to Action Point 4

Governance and transparency



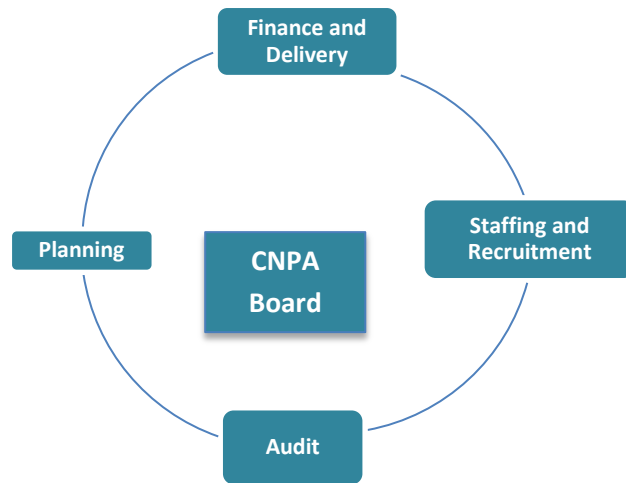
Convenor. It comprises those who are appointed by Scottish Ministers, those nominated to the Board by the five councils in the park area and five directly elected members.

- 58. A number of committees are in operation and meet regularly throughout the year, namely the Audit Committee, Finance and Delivery Committee, Staffing & Recruitment Committee and Planning Committee.
- 59. The Audit Committee has the direct responsibility for overseeing the Park Authority's arrangements for corporate governance and provides the Accountable Officer with assurance as to the Park Authority's compliance. The committee considers all internal and external audit reports and ensures any issues raised are addressed.

Corporate governance

- 56. The Board and Chief Executive (as Accountable Officer) are responsible for establishing arrangements for ensuring the proper conduct of the affairs of CNPA and for monitoring the adequacy of these arrangements.
- 57. The CNPA Board currently has 19 members including the

Best value



60. The committees meet on a regular basis throughout the year to consider relevant matters. We concluded that Park Authority has satisfactory overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Transparency

61. The Scottish Government's On Board guidance (<http://www.gov.scot/Publications/2015/04/9736/0>), for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It

recommends boards should consider:

- holding an annual open meeting
- holding board meetings in public unless there is a good reason not to
- publishing summary reports and/or minutes of meetings
- inviting evidence from members of the public in relation to matters of public concern
- consulting stakeholders and users on a wide range of issues
- making corporate plans and the annual report widely available.

62. Audit Scotland also believes in transparency of financial reporting within the Annual Report and Accounts including:

- a clear reconciliation between expenditure and the outturn against Scottish Government Resource budgets.
- identification of, and explanation of, any significant movements in budget during the year.

63. Overall we concluded that the Park Authority is open and transparent. In particular, we note that the Board and its Committees hold meetings in public and these are advertised on the Park Authority's website.

Accounting and internal control systems

64. During 2014/15 we carried out a review of the main financial systems (general ledger, trade payables, trade receivables, cash income and banking), focusing on the key controls in place within each system.
65. We did not place reliance on CNPA's controls over its trade receivables systems. However, we performed additional substantive testing over this area and no significant issues were identified.
66. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
67. We reported our findings to management on 9 March 2015 and presented the report at the Audit Committee on 27 March 2015.

Internal audit

68. Internal Audit provides the Audit Committee and Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to

determine the extent to which we can place reliance on their work. To avoid duplication, we place reliance on internal audit's work wherever possible.

69. Our review of internal audit concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. Therefore, we were able to place reliance on their reviews of grant payments and other creditor payments during 2014/15.
70. The internal audit plan for 2014/15 was substantially complete. We were able to place formal reliance on aspects of internal audit work on the payroll system.

Business Continuity Plan ("BCP")

71. Whilst there has been progress in developing a BCP in the last year, the plan has not been finalised. Without a formal, approved and tested BCP, there is a risk that CNPA will not be able to respond adequately to business continuity threats.

Refer to Action Point 5

Arrangements for the prevention and detection of fraud

72. We assessed the arrangements for the prevention and detection of fraud during the planning phase of our audit.

Best value

73. We conclude that there are adequate arrangements for the prevention and detection of fraud, although it should be noted that no system can eliminate the risk of fraud entirely.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

74. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Best Value

75. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
76. The Park Authority have considered Scottish Government guidance on Best Value and have been proactive in their approach.

Acknowledgments

77. We would like to express our thanks to the staff and members

of the Park Authority for their help and assistance during the audit of this year's financial statements.

Appendix 1 – Significant audit risks

The table below sets out the financial statement audit risks identified as part of our planning, how we addressed each risk and our judgement in arriving at our opinion on the financial statements.

Audit Risk	Planned assurance procedure	Results and conclusions
Risk of material misstatement / opinion risks		
<p>Tagging Fixed Assets</p> <p>In 2013/14, we found that the management does not tag all of its assets.</p> <p><i>Risk: There is a risk that not all assets are included in the Park Authority's accounts, or that the accounts include assets that are no longer held by CNPA.</i></p>	<ul style="list-style-type: none"> We will substantively test this at year-end to verify the completeness of the asset register and the existence of the assets. 	<p>We sample tested the completeness of non-current assets during our financial statements audit. A number of assets have still not been tagged, including IT equipment.</p> <p style="text-align: right;">Refer to Action Point 3</p>
<p>Trial Balance Consolidation</p> <p>In 2014/15, management will consolidate its existing trial balances to form a single trial balance.</p> <p><i>Risk: There is a risk of error arising from this consolidation.</i></p>	<ul style="list-style-type: none"> We will perform controls testing on the General Ledger and perform substantive testing on the consolidated trial balances to ensure that this has been done accurately. 	<p>We tested the consolidation of the trial balance and concluded that this was completed accurately.</p> <p style="text-align: right;">Satisfactory</p>

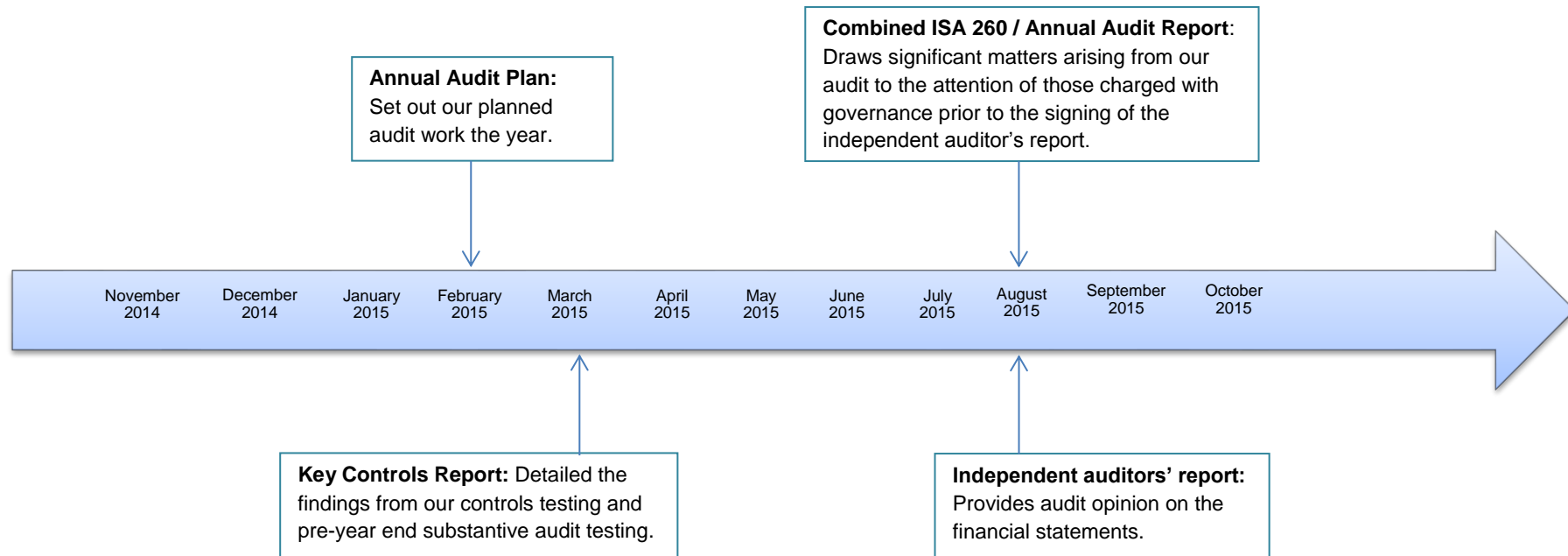
Appendix 2 – Summary of local audit reports

Audit Risk	Planned assurance procedure	Results and conclusions
<p>Pensions Information</p> <p>For the past two years, there has been a delay in receiving pensions information from MyCSP This information is required for the completion of the Remuneration Report.</p> <p><i>There is a risk that the pension's disclosures for the Senior Management Team are not received in time for inclusion in the accounts.</i></p>	<ul style="list-style-type: none"> We will require sight of the MyCSP information to audit the Remuneration Report. Any delays may impact on the proposed timeline for the signing of the Independent Auditor's Report. 	<p>We were provided with the MyCSP information required for the Remuneration Report at the start of the audit. No issues were identified.</p> <p style="text-align: right;">Satisfactory</p>
<p>Approval of severance, early retirement and redundancy terms</p> <p>The Scottish Government has announced a recent amendment to the Scottish Public Finance Manual. Central government bodies are required to consult with the Scottish Government before offering or entering into any settlement agreement, by submitting a business case.</p> <p><i>There is a risk that the Park Authority does not comply with the revised requirements of the SPFM.</i></p>	<ul style="list-style-type: none"> We will obtain relevant supporting documentation for any redundancy or compensation for loss of office payments made during the year as part of the 2014/15 financial statements audit. We will review these to ensure they comply with the SPFM. 	<p>We substantively tested the one exit packages agreed to during 2014/15. We confirmed that these have been disclosed correctly and Scottish Government approval has been obtained.</p> <p style="text-align: right;">Satisfactory</p>

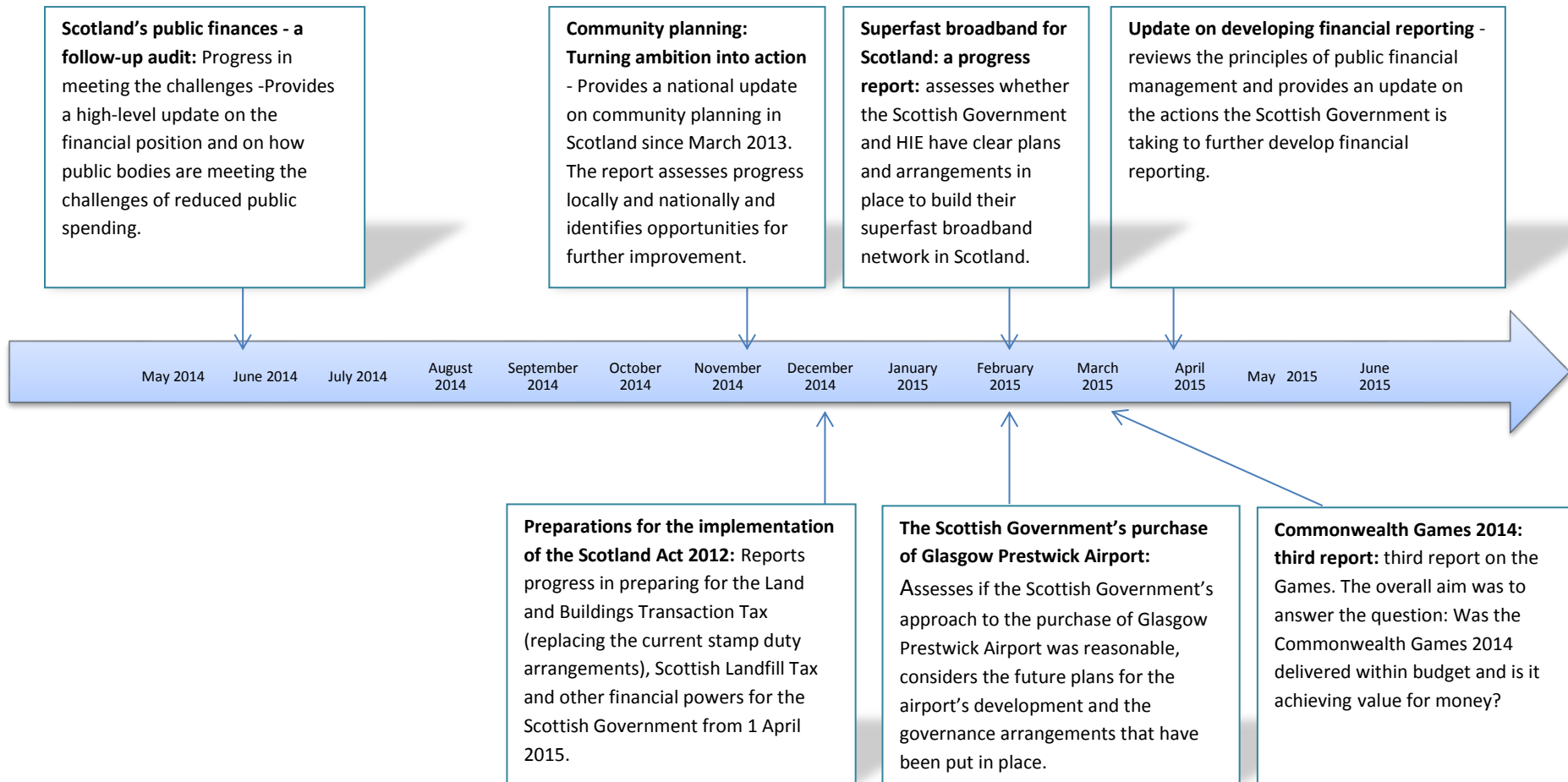
Appendix 2 – Summary of local audit reports

Audit Risk	Planned assurance procedure	Results and conclusions
<p>Risk of management override of control Management have the ability to override controls.</p> <p>There is an inherent risk that management manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p><i>This risk is exacerbated by the lack of second officer checks of journals posted.</i></p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Evaluation of any significant transactions that are outside the normal course of business. 	<p>We undertook substantive testing of journals and review of accounting estimates during our financial statements audit. No issues were identified.</p> <p style="text-align: right;">Satisfactory</p>
<p>Identification and Assessment of the Risks of Material Misstatement Due to Fraud in revenue recognition</p> <p>Based on the material levels of income collected by the audited body (Planning Fees and Other Income), there is a presumption that there are risks of fraud in revenue recognition.</p>	<ul style="list-style-type: none"> • We will perform controls testing over the trade receivables system to confirm that the procedures over revenue recognition are working effectively. 	<p>We were unable to place reliance on the controls over income due to controls weaknesses identified. However, we performed substantive testing and gained adequate assurance over the Park Authority's expenditure for the financial year. No issues were identified.</p> <p style="text-align: right;">Satisfactory</p>

Appendix 2 – Summary of local audit reports 2014/15



Appendix 3 – Summary of national reports 2014/15



Appendix 4 – Action plan

Action Point	Para / page	Issue / Risk / Recommendation	Management action / Response	Responsible officer	Target date
1	32/11	<p>Grant Letters</p> <p>CNPA did not comply with it's the grant letters it received from SportScotland or Sustrans or its own grant letter to COAT.</p> <p>Management advised that it is common for the conditions of the grant letter to be varied with the knowledge of the grant donors. Going forward, management agreed to ensure all grant letters reflect the reality of the situation and any adjustments to the conditions in grant letters are appropriately documented.</p>	Processes and documentation are being revised generally to consolidate updated working practices and procedures.	Director of Corporate Services/Finance Manager	30 September 2015

Appendix 4 – Action plan

Action Point	Para / page	Issue / Risk / Recommendation	Management action / Response	Responsible officer	Target date
2	34/12	<p>Annual Leave Accrual</p> <p>The Park Authority did not calculate its annual leave accrual based on actual balances obtained as at 31 March 2015. In future years, management should ensure that they have sufficient information to calculate the annual leave accrual accurately as at 31 March.</p>	<p>The basis of the calculation will be reviewed for the provision to be recognised in the financial statements for 2015/16.</p>	Finance Manager	31 March 2015
3	35/12 and Appendix 1/21	<p>Tagging of Non Current Assets</p> <p>The Park Authority has made some progress in tagging its non current assets. However, not all assets listed on the asset register have an asset number. Management should ensure that all assets listed in the non current asset register are tagged with a unique reference number.</p>	<p>Process to be reviewed and fixed asset register to be compared to IT manager's tagging register for ICT equipment as part of periodic review of ICT records.</p>	Finance Manager	31 December 2015

Appendix 4 – Action plan

Action Point	Para / page	Issue / Risk / Recommendation	Management action / Response	Responsible officer	Target date
4	55/16	<p>Trial Balances</p> <p>The Park Authority proposes to create two additional trial balances for LEADER grant claims and for T&G.</p> <p>Management should evaluate the position before the end of March 2016 and ensure the financial information provided as a result of the new coding structure is complete and is meeting business need.</p>	<p>The 15/16 tracking working papers already incorporate a consolidated trial balance (CNPA, LEADER, T&G) as part of the monthly Management Information for Management Team (and for Finance and Delivery Committee) preparation routine. The papers will continue to be adapted as T&G and LEADER transactions rise during the year to ensure the integrity of the information generated.</p>	Finance Manager	In place, but review ongoing
5	71/19	<p>Business Continuity Plan</p> <p>CNPA has developed a business continuity plan during 2014/15. However, this has not been finalised.</p> <p>The Park Authority should prioritise the completion of a business continuity plan.</p>	<p>To be completed by the end of the calendar year.</p>	Director of Corporate Services with Governance and Information Manager	31 December 2015