

# CAIRNGORMS NATIONAL PARK AUTHORITY

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## FOR DECISION

**Title:           AUDIT COMMITTEE ANNUAL REPORT**

**Prepared by:   David Cameron, Corporate Services Director**

### **Purpose**

To present the Audit Committee's Annual Report to the Board.

### **Recommendation**

The Board is requested to:

- a) Note the Audit Committee's annual report to the Board.

### **Executive Summary**

The Audit Committee is required to report annually to the full Board on its activities over the year, and on the reports presented to the Committee by the Authority's internal and external auditors.

This Annual Report is presented on behalf of the Audit Committee to cover the period of its operations from August 2010 to August 2011.

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## AUDIT COMMITTEE ANNUAL REPORT – FOR DECISION

### Background

1. The Audit Committee is required to report annually to the full Board on its activities over the year, and on the reports presented to the Committee by the Authority's internal and external auditors.
2. This Annual Report is presented on behalf of the Audit Committee to cover the period of its operations from August 2010 to August 2011.

### Overview

3. The period of this Annual Report covers consideration of final accounts for 2010/11, together with associated reports from Audit Scotland, the Authority's external auditors.
4. The Committee has also continued to have oversight of the work of the Authority's internal auditors and consider reports issued by them.
5. Over the course of the last year, the Authority's internal audit contract was let jointly with Loch Lomond and the Trossachs National Park Authority. The contract has now been agreed with KPMG, who took over as internal auditor from Deloitte on 1 April.
6. The Committee met six times over the period covered by this report.
7. In addition to management reports from the Authority's Internal and External Auditors, considered in further detail below, the Committee considered the following issues during the course of the year:
  - a) Risk management: the Audit Committee has reviewed the Authority's Strategic Risk Register, approved at its meeting in April 2009, and had strategic oversight of the organisation's monitoring and management of risk. The updated Strategic Risk Register is included with this report, at Appendix I.
  - b) LEADER: the Authority, as lead body for the management and administration of EU LEADER funding within Cairngorms, has a responsibility to arrange for appropriate internal audit of its LEADER activities under the terms of the service level agreement with the Scottish Government. The Committee has considered reports from the internal auditors on this area.
  - c) Planning Services: the Committee considered a report by internal audit reviewing the Authority's development management planning services, including benchmarking information received through internal audit on the service. This work helped inform the development of the Planning Service Improvement Plan.
  - d) Scottish Government Procurement Capability Assessment: the Committee has received a brief update on the implementation of this work, as part of the external auditors report on the 2010/11 audit.
  - e) Corporate Services Benchmarking: the Committee noted the submission of the Authority's annual return to the Scottish Government's Corporate

Services Benchmarking exercise, covering 2008/09 costs and activity levels. The purpose of this exercise is primarily to assist in identifying areas of corporate services where efficiencies may be achieved, based on the like for like comparison of costs of service delivery in finance, human resources, estates management and IT management across Scottish NDPBs.

- f) Statement on Internal Control: review and approval of this statement, prior to its inclusion in the annual accounts and prior to signature by the Accountable Officer.
- g) Updates on progress in implementing previous audit recommendations: officers have presented regular progress updates on the implementation of audit recommendations. These officer reports have been highlighted by internal auditors as establishing best practice. The internal auditors have also undertaken formal follow-up reviews of action taken on previous recommendations.
- h) Consideration and agreement of forward internal audit activity plans: internal audit work continues to include work on project management reviews, designed to test the linkages between project design and delivery to the strategic objectives set out in the Authority's approved Corporate Plan. Audit plans have continued to widen the scope of audit work beyond core internal controls. In this way, the Audit Committee has been able to test the value of project and organisational outputs, while the Finance Committee is charged with monitoring the effectiveness of use of project inputs such as staff time and financial resources.

## **Internal Audit**

- 8. The Committee agree an annual internal audit work programme presented by the internal auditor, delivered under contract by Deloitte LLP until 31 March 2011 and by KPMG from 1 April 2011.

9. Over the course of the period of this report, Deloitte have presented seven management reports to the Committee. Their findings and consequent recommendations for action are graded according to the internal auditors' assessment of the significance of the underlying weakness to the effective management of the organisation. Table One presents a summary of the internal audit findings over the period of this report.

**Table One: Summary of Internal Audit Findings**

Internal Audit Study	Number of Recommendations		
	Priority 1	Priority 2	Priority 3
LEADER (Dec 10)	-	-	-
National Park Plan Coordination (Dec 10)	-	3	1
Governance and Accountability Arrangements (Dec 10)	-	2	2
Planning Enforcement (Mar 11)	-	1	2
Pensions Provision (Mar 11)	-	1	1
Project Management (COAT) (Jun 11)	-	1	-
Financial Controls (Jun 11)	-	2	2

- a) **Priority 1:** major issues that need to be brought to the attention of the Management and Audit Committee.
  - b) **Priority 2:** important issues which should be addressed by management in their area of responsibility.
  - c) **Priority 3:** minor issues where management may wish to consider our recommendation.
10. The Committee welcomes the fact that once again no priority 1 recommendations have been raised by internal audit over the course of the 12 months covered by this report.
11. According to the priority definitions, only priority 1 or high priority recommendations need be brought to the attention of the Audit Committee. In practice, and in line with the Authority's values of transparency, the Committee is aware of all recommendations made by the internal auditors, through consideration of full management reports following each audit review.
12. The Committee also welcomes the very low number of recommendations for improvement in systems and controls arising from the various reviews conducted.
13. The Committee has agreed management responses to all recommendations made and continues to monitor progress made. The internal auditors have also conducted follow-up reports and report back to the Committee on their findings.
14. All scheduled internal audit work the period was undertaken.

15. The Committee has considered the Internal Auditors' Annual Report for 2010/11. The internal auditor's annual report for each year concludes: "on the basis of work undertaken in the year ... we consider that Cairngorms National Park Authority generally has an adequate framework of control over the systems we examined..."

### **External Audit**

16. The Authority's accounts for 2010/11 received a clear, unqualified external auditor's report and opinion from Audit Scotland, our external auditors.
17. The accounts and external auditor's report for 2010/11 were signed on 24 June. This embeds the improvements in financial closure periods implemented in previous years.
18. The Annual Report and Accounts were submitted to Scottish Government by mid July, well in advance of their deadline of 31 July.
19. The Audit Committee has considered Audit Scotland's Management Report on the audit of the 2010/11 accounts. There are no points for action raised.
20. Audit Scotland's final report on the 2010/11 external audit is reproduced in full at Annex 2 to this report for the Board's information.

### **Conclusions**

21. The Audit Committee considers that it has been successful in progressing the Board's governance and internal control priorities during the period covered by this annual report.
22. The Committee warmly welcomes the maintenance of success in closing annual accounts and completing the external audit process promptly each year. The Committee would like to take this opportunity in reporting to the Board to register its thanks to all staff involved in this process and to the effective work of the Audit Scotland team led by Elaine Barrowman.
23. There has been an engagement through the year with issues identified by the Authority's internal and external auditors, and also by the Authority's officers. The Committee has received full reports on issues raised; considered recommendations made; and approved responses and actions.
24. Both the internal auditors' finding of adequate levels of internal controls within the Authority, and the external auditors' unqualified audit certificate provide assurance to the Committee and Board that the Authority's internal control and governance objectives are being met by management.
25. It is also reassuring to see that no priority I recommendations have been raised by the internal auditors over the course of the year. While it is accepted that there will always be a range of improvements than can be made to services and controls, and as such a number of recommendations for improvement from internal audit will be expected, the Committee welcomes the evidence of generally effective control systems evidenced by the reports.

26. The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.
27. The Committee has also implemented a wider range of review of the period, to encompass consideration of how well the Authority delivers its overall corporate and operational plan objectives. These reviews have continued to test the extent to which the underpinning rationale for projects development can be linked back to delivery of strategic corporate objectives, and the extent to which project outputs make a contribution to Corporate Plan outcomes.

**DAVID CAMERON**

**4 October 2011**

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