

Cairngorms National Park Authority

INTERNAL AUDIT ANNUAL REPORT 2016-17
SEPTEMBER 2017



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

EXECUTIVE SUMMARY

Background

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Our approach, as set out in BDO's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit Plan 2016-17

BDO LLP has been appointed as internal auditors to Cairngorms National Park Authority to provide the Board (via the Audit Committee) and Management Team with assurance on the adequacy of the following arrangements:

- Risk Management;
- Corporate Governance; and
- Internal Control.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at Cairngorms National Park Authority is also aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

Our risk evaluations and tests are designed to ensure that controls are sound both in design and effective in operation. Our conclusions are based on evidence obtained during the course of our audit work, verification tests and samples selected from the year's transactions to date. However, our conclusions should not be taken to mean that all transactions have been properly authorised and processed or that all elements of systems have been tested.

EXECUTIVE SUMMARY

Audit Approach

We have reviewed the control policies and procedures employed by Cairngorms National Park Authority to manage risks in business areas identified by management set out in the 2016-17 Annual Internal Audit Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation.

Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Cairngorms National Park Authority management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine whether the risk management activities and controls are operating as expected.

The assurance statement provided on page 8 of this report is based on historical information and the projection of any information or conclusions contained in our assurance statement to any future periods is subject to the risk that changes may alter its validity.

Coverage

Coverage

During 2016-17 BDO LLP has reviewed and evaluated Cairngorms National Park Authority 's processes in the following areas:






- | | |
|---|---|
| <ul style="list-style-type: none">• Risk Management• LEADER administration• Project financing• Tomintoul and Glenlivet Landscape Partnership• ICT General Controls Review | <ul style="list-style-type: none">• Grant funding and management• Core financial processes• Pensions administration• Follow up |
|---|---|

EXECUTIVE SUMMARY

Recommendations

To assist management in addressing our findings, we categorise our recommendations according to their level or priority. The recommendations made in the completed reviews totalled 26.

Summary of Recommendations (SEE APPENDIX I)

High		0	
Medium		13	
Low		13	

Total number of recommendations: 26

Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management action on our recommendations

Management have been conscientious in review and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are being put in place.

EXECUTIVE SUMMARY

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to External Audit should they wish to review working papers in order to place reliance on the work of Internal Audit.

Follow up

During the year we undertook independent exercises to assess the progress made by Cairngorms National Park Authority in implementing internal audit recommendations made in previous years.

Implementation of recommendations is a key determinant of our annual assurance statement. If recommendations are not implemented on a timely basis then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment. Within Cairngorms National Park Authority we found a good level of commitment and effort in clearing as many outstanding recommendations as possible from previous audit reports.

We followed up 56 recommendations from 2016-17 and prior years. At the time of our work, we noted that 48 of these recommendations had been fully implemented, 2 had been superseded, and the remaining 6 recommendations were outstanding.




On that basis we can take reasonable assurance that management's resolve to implement previously agreed recommendations is sufficient.

Summary of work performed

Details of the eight internal audit reviews and the follow up review have been reported to the Audit Committee throughout the year and have been discussed at length with consideration and scrutiny of management responses and timescales proposed.

For the purpose of this annual report, we set out in the following pages our summary of recommendations and assessment of the design and effectiveness of the risk assurance for each of the audit areas reviewed.

REVIEW OF 2016-17 WORK

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
Risk Management	0	2	2	Moderate	Moderate
LEADER administration	0	0	0	Substantial	Substantial
Project financing	0	0	2	Substantial	Substantial
Core financial processes	0	1	2	Substantial	Substantial
Tomintoul and Glenlivet Landscape Partnership	0	1	1	Moderate	Moderate
Grant funding and management	0	1	1	Moderate	Moderate
Pensions administration	0	0	2	Substantial	Substantial
ICT General Controls Review	0	8	3	Limited	Limited

ANNUAL STATEMENT OF ASSURANCE

Report by BDO LLP to Cairngorms National Park Authority

As the internal auditors of Cairngorms National Park Authority we are required to provide the Board, via the Audit Committee, and the Senior Management Team with a view on the adequacy and effectiveness of Cairngorms National Park Authority 's risk management, governance and internal control processes.

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides Cairngorms National Park Authority with reasonable assurance that, with the exception of IT General Controls, there are no major weaknesses in the internal control system for the areas reviewed in 2016-17. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weakness in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audit reviews undertaken by BDO LLP during 2016-17;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

Conclusion

In our view, based on the reviews undertaken during the period, and in the context of materiality:

- With the exception of our review on IT General Controls, whereby we concluded that further work is required to ensure robust processes, the risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.
- Based on our verification reviews and sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.

PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	June 2016	Risk Management	5	5	Complete
2	August 2016	LEADER administration	7	7	Complete
3	November 2016	Project financing	5	5	Complete
4	January 2017	Core financial processes	5	5	Complete
5	February 2017	Tomintoul and Glenlivet Landscape Partnership	5	5	Complete
6	March 2017	Grant funding and management	4	4	Complete
7	March 2017	Pensions administration	4	4	Complete
8	May 2017	ICT General Controls Review	10	10	Complete
9	July 2017	Follow up	3	3	Complete





AUDIT PERFORMANCE




AUDIT	COMPLETION OF FIELDWORK/DEBRIEF MEETING	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
Risk Management	17 June 2016	24 June 2016	22 August 2016	22 August 2016
LEADER administration	9 September 2016	21 September 2016	29 September 2016	29 September 2016
Project financing	25 November 2016	2 December 2016	5 December 2016	5 December 2016
Core financial processes	24 January 2017	1 February 2017	10 February 2017	10 February 2017
Tomintoul and Glenlivet Landscape Partnership	22 March 2017	28 March 2017	3 May 2017	3 May 2017
Grant funding and management	16 May 2017	26 May 2017	19 June 2017	19 June 2017
Pensions administration	23 March 2017	6 April 2017	2 May 2017	2 May 2017
ICT General Controls Review	26 May 2017	7 June 2017	18 August 2017	18 August 2017
Follow up	21 July 2017	24 July 2017	12 September 2017	12 September 2017


On average:

- All reports were issued in draft within 10 working days of completion of our fieldwork and debrief meetings with management.
- Initial responses were received within 10 working days of the draft report being issued.
- Final reports were issued within 1 working day of final management responses being received.

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



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