

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

THE CAIRNGORMS NATIONAL PARK AUTHORITY

**held at the Lounge of the Community Hall, Boat of Garten
on 29 September 2017**

Present:

Dave Fallows (Convener)
Becky Badger

Fiona Murdoch
John Latham

In Attendance:

Claire Robertson, BDO
Andrew O'Donnell, BDO
Gareth Kelly, Grant Thornton
Grant Moir, Chief Executive
David Cameron, Director of Corporate Services
Danie Ralph, Finance Manager
Mark Tucker, Payroll & Finance Officer
Alix Harkness, Clerk to the Board

Apologies: Jeanette Gaul

Welcome and Apologies

1. The Convener welcomed everyone to the meeting and the apologies were noted.
2. The Convener made special mention of Fiona Murdoch as this was her last meeting on the Cairngorms National Park Authority Board and said that her contributions would be missed.

Minutes of Previous Meeting

3. The draft minutes of the 12 May 2017 meeting were approved with the following amendments:
 - a) At Para 11c: 'in the' to be inserted into line two.
 - b) At Para 11d: 'is' should be 'it'.
 - c) At Para 11e: line one should be 'eligible' not 'liable'.
 - d) At Para 16a: 'complaint logs' on line two to be deleted.
 - e) At Para 16e: Delete altogether as is an 'action' and listed as such in the next section.

Declarations of interest

4. For transparency, Becky Badger highlighted with regard to Paper 3 that she had been interviewed as part of the Governance review. All agreed this does not represent any form of declarable interest in the item in question.

Matters Arising

5. David Cameron reported that movement on the outstanding actions listed at the bottom of the 1 July 2016 Audit & Risk Committee Minutes were:
 - a) Sustainable Procurement Bill – In Progress – a draft will be brought to the next Audit & Risk Committee meeting.
 - b) Joint Training with LLTNP Audit Committee, CNPA Audit & Risk Committee and BDO to be set up for autumn 2016 – In Progress – was deferred to take place after the next Board meeting on 6th October 2017, a few dates will be circulated.

Internal Audit Review: Grant Funding & Management (Paper 1)

6. Andrew O'Donnell presented a Paper which presents the internal auditor's report on Grant funding and Management.
7. Members discussed the following points:
 - a) Was there a particular issue that brought the overall recommendations down to moderate? Andrew O'Donnell advised that the absence of a completed grant toolkit was the reason for it. He added that the majority of recent grant awards reviewed did not have a completed matrix. He went on to advise that an overall moderate rating was a good result.
 - b) What is a register? Andrew O'Donnell advised that it was record of the key information held centrally. He advised that as it was not in place and management team had to provide the auditors with a list.
 - c) What was the reasoning behind only 9 out of 10 forms having been completed? David Cameron admitted that Corporate Services team had been partly responsible for not reinforcing the importance of the use of the toolkit to staff and that there was a timing issue of when the toolkit had come into force, given staff had become increasingly comfortable with their role in assessing and awarding grants and were therefore now making less use of structured guidance such as set out in the toolkit. He added that management were content with the recommendations made and recognised that they needed better sight of where records for grants are and to store details of them centrally.
 - d) Would there be sufficient staff resource to carry out this work and to maintain such a register? David Cameron confirmed that there would be as it would not be an onerous piece of work.
 - e) With reference to the second sentence of paragraph 2 in the background on page 3 of the Annex, suggestion made to change the wording from 'development of rural environment of the park' to 'development of rural economy of the park'. This was agreed.
 - f) With reference to the second sentence of paragraph 4 in the background on page 3 of the Annex, suggestion made to clarify that it was the CNPA Board that was being referred to as opposed to the Tomintoul & Glenlivet Partnership Board. This was accepted.
 - g) In the interests of consistency and transparency, suggestion made that it would be useful to see a register of historic grant applications as well as those that are live. David Cameron agreed that they would be looking to maintain that information for a reasonable period, 5-7 years normally or if EU funding it would be for 10 years.
 - h) Agreed the intention would not be to go back and log retrospective grants, only those which are currently live.

8. **The Audit & Risk Committee:**
- a) **Considered the internal auditor's findings.**
 - b) **Endorsed the management responses to the recommendations for action raised by the internal auditor.**

9. **Actions: None.**

Internal Audit Review: IT General Controls (Paper 2)

10. Andrew O'Donnell presented a Paper which presents the internal auditor's report on IT General Controls.
11. Grant Moir provided some background into the reasoning for bringing this piece of work forward and advised that management welcomed the recommendations made. David Cameron added that management had taken the recommendations made in the report very seriously and an action plan had been worked up that sets out how all parties will work to resolve the items within the timeframes. He went on to state that items 2 and 3 had since been resolved with remedial action implemented.
12. In discussion the Audit & Risk Committee made the following points:
- a) With regards to disaster recovery planning, was a plan not in place? David Cameron advised that a full organisational disaster recovery plan was in place but that one was required specifically for IT to separately set out key processes and documentation off site for use in the event of any recovery actions. He went on to say that the disaster recovery plan for IT had not been pulled together very well to date, although the documentation itself did exist as proven when bringing together background information to support this audit process. Claire Robertson advised that the level of detail required for an IT specialist not familiar with the set up to be able to reconfigure the system was not set out in enough detail.
 - b) How realistic is the implementation date of 31 January 2018? David Cameron advised that this was the date that was being aimed for to have the system improvements in place. He went on to advise that after this date would the dry testing begin.
 - c) How realistic were all the implementation dates set out in the Annex? Would the Auditors provide some leniency over the next year if they became unachievable within the timeframes? David Cameron highlighted the importance of trying to meet the targets set out. He added that if it looked as if they were slipping a discussion with the auditors would take place at that point.
 - d) Suggestion made for the future to include a key to some of the acronyms detailed in the report. This was noted.
 - e) Comment made that having shared accounts between Loch Lomond & Trossachs NP and Cairngorms NP was very risky, while noted this was one of the changes already implemented.
 - f) Caution expressed with regards to ensuring that IT security specially in web filtering would not be too restrictive and would not hamper staff's ability to do their job. David Cameron confirmed that he was content with the recommendation and that it had been pitched at the correct level for web filtering.

- g) David Cameron added that the work to be done with community and voluntary organisations whom the National Park share documents with, will be a big challenge and may take longer to resolve.
- h) David Cameron reported that the organisation had bought into an e-learning suite with other National Parks and within that there was a package on IT security which may be rolled out to support staff training requirements.

13. The Audit and Risk Committee

- a) **Considered the internal auditor's findings.**
- b) **Endorsed the management responses to the recommendations for action raised by the internal auditor.**

14. Actions: None.

Internal Audit Review: Corporate Governance Review (Paper 3)

- 15. Andrew O'Donnell presented a Paper which presents the internal auditor's review on Corporate Governance.
- 16. In discussion the Audit & Risk Committee made the following points:
 - a) Concern that the paper implies that performance appraisals and skills matrix is regularly carried out when in reality it has not. Grant advised that they had been carried out regularly and that different conveners had different ways of carrying them out.
 - b) Comment made surrounding the importance of continuing to have an hour informal chat once a year with the Board Convener.
 - c) Suggestion made that the Audit & Risk Committee monitor that performance appraisals for Board members are taking place regularly.
 - d) Was the 4:2:1 (ministerial: local authority: locally elected) split sample chosen on purpose? Andrew O'Donnell confirmed that it was.
 - e) Suggestion made to display the Board and Committees' terms of reference on the website. This was agreed.

17. The Audit & Risk Committee:

- a) **Considered the internal auditor's findings.**
- b) **Endorsed the management responses to the recommendations for action raised by the internal auditor.**

18. Action:

- I. **Clerk to the Board to add the Board Committee's Terms of Reference onto the website.**

Internal Audit Review: LEADER (Paper 4)

- 19. Andrew O'Donnell presented a Paper which presents the internal auditor's report on LEADER.
- 20. Grant Moir expressed his thanks to the Cairngorms LEADER Team who have managed to get processes in place that work while the main processes in Scottish Government do not work very well. He concluded that he was happy that the Cairngorms have a programme in place that is delivering.

21. In discussion the Audit & Risk Committee made the following points:
- a) The Convener commented that the audit report provided the evidence that backs up the observation that the Cairngorms LEADER handling and processing is miles ahead of other LEADER groups.
 - b) Could the frustration around the constantly changing goalposts be highlighted to Scottish Government in some way? David Cameron advised that he was Chair of a working group of Accountable Bodies and were regularly actively highlighting the Service Level Agreement (SLA) issues back to Scottish Government.
 - c) David Cameron highlighted that one of these issues with the SLA that has been reported was that we are required to use the LARCS system once it is operational, however many areas in the Cairngorms National Park have limited access to broadband and therefore have difficulty in entering claims into this system. The Authority has not yet accepted that this system is suitable for purpose and therefore not accepted it as an “operational” system within the terms of the SLA.
 - d) David Cameron also highlighted that when applicants submit a claim through the system there is no way for them to make any amendments.
 - e) Concern raised with reference to observation 2 that one of the applicants had not yet submitted any claims. Danie Ralph confirmed that they had since and that they had claimed £3.5k of £13k.
 - f) Agreement to add to the Agenda for future meetings a LEADER update.

22. The Audit & Risk Committee considered the internal auditor’s findings.

23. Action:

- i. **LEADER Update to be added as a standing item on future Audit & Risk Committee agenda’s so that the Committee could easily monitor the situation.**

LEADER Monitoring and Accreditation (Paper 5)

24. David Cameron presented a Paper which presents the Scottish Government Business Assurance Team’s Monitoring and Accreditation review of the Cairngorms LEADER programme delivery.
25. The Audit & Risk Committee discussed the report and made the following points:
- a) David Cameron advised that he has a meeting with the Scottish Government Deputy Director next month.
 - b) Concern raised on the amount of time and resource being spent on this and whether the organisation has the capacity to do so.
 - c) The Convener asked if there was an element of risk to the organisation with David Cameron fast becoming a prominent figure in Scotland’s LEADER network, as other accountable bodies would be using his time to highlight issues they were having. David advised that he would be taking more of a back step on the national front as locally full commitment levels were being reached and also wider developmental phases of the programme had concluded.

26. **The Audit and Risk Committee:**
- a) **Considered the monitoring and accreditation review report and the Cairngorms LEADER team's responses to points raised;**
 - b) **Considered any implications for the Authority's risk and control frameworks raised by the report.**

27. **Actions:** **None.**

Internal Audit Review: Follow Up (Paper 6)

28. Andrew O'Donnell presented a Paper which presents the internal auditor's Follow Up Review.
29. The Audit & Risk Committee discussed the report and made the following points:
- a) Why did it appear that some things were taking a long time to be completed? David Cameron advised that this was presentational rather than actual. He added that the previous auditors did not do a final formal mop up report and therefore this was the first time in several years that one had been prepared for the Audit & Risk Committee.
 - b) The Convener enquired why a couple of items that had not been implemented due to budget restrictions, were the savings not detailed? Grant Moir advised that some of the items were not worth doing in terms of cost and benefit analysis, such as Stakeholder Management database. He confirmed that there was a need to put an explanation beside those that were deemed unnecessary and the reasons behind this so that some could be closed off. It was agreed that this would be done for the next Audit & Risk Committee meeting.
 - c) The Convener thanked the various teams over the course of time for their hard work, noting the report did indicate very good progress overall in implementing improvement actions to address audit recommendations.
30. **The Audit & Risk Committee:**
- a) **Considered the internal auditor's findings.**
 - b) **Endorsed the management responses to the recommendations for action raised by the internal auditor.**

31. **Action:**
- i. **A full list of the audit recommendations in the Follow-up report to be collated and where management deem them no longer necessary for explanations for this to be included. To be brought to the next Audit & Risk Committee meeting.**

32. The meeting paused for a short comfort break.

Annual Internal Audit Report (Paper 7)

33. Claire Robertson presented a Paper which presents the internal auditor's Annual Internal Audit Report.
34. The Audit & Risk Committee discussed the report and made the following points:
- a) The Convener noted that there were no high level recommendations.
 - b) Grant Moir thanked BDO for their reports over the year.

- c) David Cameron reported that he had been pleased over the year that BDO had tailored their audits and recommendations to the needs and culture of the organisation and that it had been very helpful to have this support.
- d) The Convener thanked BDO for providing clear reports and thanked them for their work.

35. The Audit & Risk Committee:

- a) **Considered the internal auditor's annual report covering their work in 2016/17;**
- b) **Noted the internal audit opinion set out on page 8 of the report;**
- c) **Considered whether the report raises any issues prior to the review of the final accounts document for 2016/17 and the Governance Statement included in the accounts document.**

36. Actions: None.

37. Claire Robertson and Andrew O'Donnell departed the meeting at this point.

2016/17 Final Accounts (Paper 8)

38. Danie Ralph presented a Paper which presents and seeks approval of the final accounts for 2016/17 prior to their being submitted to Audit Scotland for final certification. He highlighted that they had come close to breakeven (0.7% variation) and provisions had been made against future LEADER irregularities. He added that 2-3% of cost expended for this had been provided to reflect the Authority's potential exposure as Accountable Body and that this was the only provision made in the year to vary from previous year's figures. Exposure on basis of LEADER projects over the next one to two years would increase prior to final review of the programme.
39. The Audit & Risk Committee discussed the report and made the following points:
- a) The Convener commented that it was a positive result to achieve an outturn so close to break-even point and congratulated Danie Ralph on this achievement.
 - b) Discussion around a suggestion made to change the reference to data security in light of the discussions around the IT General Controls paper (Paper 2). It was decided that it would not be the appropriate place to put this.
 - c) Amendment suggested on page 3 of the Annex where it states that the National Park Partnership Plan Update would be brought to the Board meeting in September, to change this to October 2017. This was agreed.
 - d) With reference to page 29 the gender split of management does not look good, suggestion made to add the Board into it. Grant Moir confirmed that the Board could not be added as there was explicit guidance on what was to be reported in this section. David Cameron added that part of the Staffing & Recruitment Committee's remit was to look into what can be done to redress the gender balance, looking at applicants to roles at different levels and where to put recruitment adverts to increase gender balance applications received and in different roles.
 - e) With reference to table 14 on page 26 why had the cash flow doubled this year from last financial year? David Cameron advised that this had been as a result of accumulated timing differences on funded projects, the position at last year end influenced by Sustrans funding for the Speyside Way, this time around there was funding for the Tomintoul & Glenlivet Heritage Lottery Funding bid. He added that any snapshot of the accounts could be misinterpreted and therefore

the point has been made clear to Scottish Government that the Authority is the accountable body for HLF bids and LEADER which does impact on balance sheet pictures. Gareth Kelly also advised members that the cash position in the balance sheet was offset by the non-current liabilities, again reinforcing the timing impacts on payments and cash.

- f) With reference to planning fee income on page 44 what was the reasoning for these having decreased substantially? Grant Moir advised that a lot less applications had been called in as a result of being stricter on what is called in. He added that as part of the Planning review, the use of Section 42's were being looked at to ensure that these are not being overused and therefore bypassing planning fees.

External Audit Report (Paper 9)

- 40. Gareth Kelly presented a Paper which presents the external Audit Report. He thanked Grant Moir, David Cameron, Danie Ralph and Mark Tucker for working smoothly together to a very positive outcome.
- 41. David Cameron reported that he had appreciated Grant Thornton's team and that it had been a smooth professional process from the Authority's point of view.
- 42. The Convener added that he was appreciative of the work that had gone in from both sides and that they could now continue with some optimism.
- 43. The Audit & Risk Committee agreed that it was a positive report.
- 44. **The Audit & Risk Committee:**
 - a) **Considered the external auditor's annual report on the 2016/17 audit;**
 - b) **Reviewed and, subject to any comments from members, endorsed the management responses to actions raised in the report.**
- 45. David Cameron reported that he and Danie Ralph had gone through the letter of representation in advance of the meeting but it had not been included in the papers for the meeting. It was agreed that this be circulated to Audit & Risk Committee members and ensure it appears on the Agenda in the future.
- 46. **The Audit & Risk Committee approved the letter of representation.**
- 47. **The Audit & Risk Committee approved the final accounts prior to submission to Grant Thornton and Audit Scotland for final certification.**
- 48. **Actions:**
 - i. **Letter of Representation to be circulated around Audit & Risk Committee members for information.**
 - ii. **In the future, Letter of Representation to be put on the agenda and provided in advance of the meeting with the remainder of the papers.**

Strategic Risk Register (Paper 10)

49. David Cameron presented a Paper which presents an update on the Authority's strategic risk management and a commentary on management's review of action taken and current risk status.
50. The Audit & Risk Committee discussed the report and made the following points:
- a) Was there a risk associated with IT? Grant confirmed that it was already there as issue 3.
 - b) Could some be removed? David Cameron confirmed that they could be but that they were waiting until the new Corporate Plan was in place before reviewing the risks.
 - c) Risk A6 had been left in until after the staff survey had taken place and would only be removed if the results were positive.
 - d) The current uncertainty around Broadband meant that that risk had been left in.
 - e) Suggestion made to see the trends over the course of the whole current Corporate Plan in one document to help in preparing the new strategic register for the new Corporate Plan. It was agreed to try and prepare this.
 - f) Should the risk register reflect the increased risk around ICT delivery following earlier discussion on internal audit reports? –Grant confirmed that this was already there as risk A13.
51. **The Audit & Risk Committee:**
- a) **Considered the update presented on the Authority's Strategic Risk Register.**
 - b) **Considered whether members have any further updates which should be incorporated into the Strategic Risk Register, including any additional risks not currently incorporated.**
52. **Actions:**
- i. **Trends in risks across the life of current Corporate Plan to be prepared for the next meeting to aid in developing the next strategic risk register.**

Complaints Log (Paper 11)

53. David Cameron presented a Paper which presents information on the number and nature of complaints received by the Authority since the last update on this subject to the Committee in May 2017.
54. **The Audit & Risk Committee accepted the information on complaints made to the Authority.**
55. **Actions: None.**

Audit & Risk Committee Annual Report (Paper 12)

56. David Cameron presented a Paper which presents the Audit & Risk Committee Annual Report to the Board which will go to the December Board meeting.
57. The Audit & Risk Committee made the following point:
- a) The Convener reported that he thought it was a good summary report.

58. The Audit & Risk Committee agreed the report.

59. Actions: None.

Any Other Competent Business

60. Grant Moir thanked Fiona Murdoch for all her hard work on the CNPA Board and wished her well in the future.

Date of Next Meeting

61. 2 February 2018, The Lounge, The Community Hall, Boat of Garten.

62. Meeting closed 12.45 hours

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)	In Hand – paper expected at next Audit & Risk Committee meeting on 2 nd February 2018.
Joint Training with LLTNP Audit Committee, CNPA Audit & Risk Committee and BDO to be set up. (April 2016 meeting)	Open - to take place Winter 2017/18