

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

**THE CAIRNGORMS NATIONAL PARK AUTHORITY**

**held at the Cairngorms NPA Offices, Grantown-on-Spey  
on 31 August 2018**

**Present:**

Janet Hunter  
Dave Fallows (Convener)

John Latham  
Judith Webb

**In Attendance:**

Andrew O'Donnell, BDO  
Claire Robertson, BDO  
Grant Moir, Chief Executive  
David Cameron, Corporate Services Director  
Danie Ralph, Finance Manager  
John Boyd, Grant Thornton  
Brian Wood, Board member

**Apologies:**           Alix Harkness, Clerk to Board

**Welcome and Apologies**

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

**Minutes of Previous Meeting**

2. The draft minutes of the 11 May 2018 meeting were approved with no amendments.

**Matters Arising**

3. David Cameron reported that movement on the outstanding actions listed at the end of the 11 May 2018 Audit & Risk Committee Minutes are:
  - a) Joint Training with LLTNP Audit Committee, –Open – to be arranged for early in 2019, following appointment of Committee members at December 2018 Board meeting.
  - b) Internal audit recommendations follow up report – Closed – On Agenda.
  - c) Committee specific induction pack – Open – target to be in place by end October 2018.
4. Members noted that the resignation of Walter Wilson from the Board left the Committee one vacancy in its membership. David and Grant responded that with the Board appointments process underway, the Committee membership would be fully revised at the December board meeting along with the membership of all Committees and wider Board representation responsibilities.

## Internal Audit Review: Information Technology Performance (Paper 1)

5. Andrew O'Donnell presented a Paper which presents the internal auditor's report on the Authority's Information Technology (IT) Performance. Andrew explained that this review was an advisory review, offering advice and guidance moving forward, rather than a test of the existing control systems. Hence, no assessment was given in the report on the level of design nor operation of the control system environment.
6. Andrew highlighted a number of points for future improvement in IT performance and strategic development of the IT environment and its management. A number of points of existing good practice were also highlighted.
7. The Audit & Risk Committee made the following observations and comments:
  - a) Agreement that this presented a helpful report to help focus and structure future work in this area.
  - b) Consideration of whether there were merits in pursuing some form of accreditation based review such as ISO Standards. Andrew responded that ISO security standard requirements had been used as a comparator baseline for the BDO review, in addition to Cairngorms' staff survey and helpdesk reports. David reported that ISO accreditation had been investigated and these were very expensive to undertake, requiring frequent reassessment involving further costs. David also reported that the "Cyber Security Plus" assessment being pursued as part of delivery against the Scottish Government's Cyber Security Action Plan would deliver a certified form of independent assessment.
  - c) Members stated the importance of communications with staff on IT standards and also the use of Key Performance Indicators to help demonstrate performance standards.
  - d) Members noted that some cloud based infrastructure that may be seen as a standard approach now in other areas was often not possible in Cairngorms as consequence of limited bandwidth.
8. **The Audit & Risk Committee:**
  - a) **Considered the internal auditor's findings.**
  - b) **Noted approaches to be followed raised in discussion.**
9. **Actions:           None.**

## Internal Audit Review: Audit Recommendations Follow-up (Paper 2)

10. Andrew O'Donnell presented the internal auditors' review of action taken on previous audit recommendations. Andrew reported that 14 recommendations across 18 previous audit reviews had been fully implemented with a further 11 recommendations partially implemented. Eighteen recommendations had not yet been implemented. Andrew reported to Committee that as internal auditors BDO were aware and accepted that delivering large scale projects over the course of the year, in terms of the building extension project and also Europarc Conference, had stretched resources and impacted on delivery of actions against audit recommendations. It was therefore considered understandable by BDO that numbers of recommendations discharged was not as high as would normally be expected by them.
11. In discussion the Audit & Risk Committee made the following observations and comments:

- a) The Convenor commented that with the amount of staff time drawn into these major projects over the last year he felt it was impressive that so much work had actually been possible in discharging the audit recommendations.
- b) Committee members agreed the Convenor's comment, while also highlighting that it was important actions were picked up over the course of the coming year to avoid significant delays in audit responses rolling forward. The internal auditors agreed that they would be concerned if capacity pressures were ongoing and created further delays in implementation of actions.
- c) Grant and David confirmed that the Management Team would commence a regular oversight of progress in activity against these outstanding actions.
- d) Danie reported that he had taken on line management of the IT Services Manager and would be taking steps to ensure that delays in implementing previous IT control actions were not extended further than necessary.

**12. The Audit & Risk Committee:**

- a) **Considered the internal auditor's follow up report.**
- b) **Noted and approved position on delivery of control improvements.**

**13. Actions:           None.**

**Internal Audit Annual Report (Paper 3)**

14. Claire Robertson presented the BDO Internal Audit Annual Report for 2017/18. Claire drew out key points of the annual report and, in particular, the overall audit opinion for the year that risk management activities and control in the areas examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements and were operated with sufficient effectiveness to provide reasonable assurance overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
15. The Committee members welcomed the ongoing relationship with BDO as internal auditors, commenting that the internal audit service continued to add real value to the work of the Authority and its control framework. Members noted that internal audit work was well tailored to the scale and culture of the Authority.
16. David also commented that the support from BDO with the work on eligibility of LEADER activity had been very valuable over the course of the year.
17. Members again noted that even in the context of the wider organisational strain of major project work, the internal audit annual report was a very good and reassuring review of the Authority's management and control systems.
18. Members agreed that the report did not highlight any matters that may need to be further reflected in the Governance Statement during consideration of the annual accounts for 2017/18.

19. **The Audit & Risk Committee:**
- a) **Considered the internal auditor's annual report covering their work in 2017/18;**
  - b) **Noted the internal auditor's annual Statement of Assurance as set out on page 8 of their report;**
  - c) **Agreed the report raised no new issues prior to the review of the final accounts document for 2017/18 and the Governance Statement included in the accounts document.**
20. **Actions:                      None.**

#### **2017/18 Final Accounts (Paper 4)**

21. Danie Ralph, Finance Manager, presented and sought approval to the final accounts for 2017/18, prior to their being submitted to Audit Scotland for final certification. Danie reminded that Committee of its role as regards the accounts - to support the Accountable Officer with regard to their personal responsibilities for issues of risk, control and governance through a process of constructive challenge. Danie highlighted the accounts presented a small excess of expenditure over income of £11,000, representing less than 0.3% of total grant in aid of £4.575 million.
22. In discussion the Audit & Risk Committee made the following observations:
- a) While not requiring changes to the report this year, it would be good to see more information in the Annual Report on our sustainability reporting and our actions taken.
  - b) Future reports might set out more information on the work being done delivering against the Authority's Equalities Action Plan.
  - c) Members and supporting officers discussed the Authority's current approach to reporting, including the Annual Report and Accounts, Annual Review, reporting on performance against the National Park Partnership Plan. Grant reported that there was intent to review the variety of reports produced in order to seek to streamline total activity and better target reports.
  - d) Members sought an explanation around the contingent liability section of the reports which was responded to by Danie and John Boyd of Grant Thornton.
23. **The Audit & Risk Committee approved the final accounts prior to submission to Grant Thornton and Audit Scotland for final certification.**

24. **Actions:                      None.**

#### **Letter of Representation (Paper 5)**

25. John Boyd presented the proposed letter of representation, highlighting to the Committee that this standard element of the accounts audit process sought confirmation that all the information submitted in the accounts presented for audit are accurate and that all material information has been disclosed to the auditors. John highlighted that the letter had already been reviewed and approved by David and Danie.
26. With regard to the risk around LEADER funding highlighted in the letter, David and Danie reported that over £400,000 had now been received from Scottish Government since the commencement of the external audit process and this risk,

while appropriate to feature in the letter of representation, now appeared to be reducing in significance.

27. **The Audit and Risk Committee agreed the information set out in the letter of representation was accurate to the extent of their knowledge and agreed its signature by the Accountable Officer.**
28. **Actions:           None.**

### **External Audit Report (Paper 6)**

29. John Boyd presented the external audit report on the 2017/18 audit, highlighting in particular that Grant Thornton proposed to issue an unqualified audit opinion. John thanked Danie for a good set of working papers provided according to the timetable, noting that the draft accounts presented for audit had been presented to a high standard. John also thanked the finance team and other staff for all their assistance, which had contributed to the external audit process moving very smoothly. All audit work had been completed within the agreed timetable.
30. John highlighted that financial planning and governance arrangements had also been considered as part of the audit, and that review had identified no issues to be raised.
31. Materiality for external audit had been set at 2% of gross expenditure and adjusted based on draft final accounts to £121,000. No adjustments to the draft final accounts were identified and any minor adjustments were discussed and agreed with officers during the course of the audit work. Members sought clarification from John on this point of materiality, which John explained set a level for adjustments which, if required, would be brought explicitly to the attention of members for review, as being of a level which could have a significant impact on the accuracy of the Authority's financial reports.
32. Members discussed the difficulty of balancing the streamlining of annual reports with the needs of the Financial Reporting Manual. John highlighted the current drive for the front end of the Annual Report and Accounts to tell a complete story of the organisation in terms of its objectives, activities and structures, and understood that this cut across current practice within the Authority of producing a separate Annual Review.
33. Members and officers expressed their thanks to the Grant Thornton team for their professionalism and good working relationships in undertaking the audit. The Convenor thanked John for his clear report and presentation to the Committee.
34. **The Committee noted Grant Thornton's report on the 2017/18 audit.**
35. **Action:           None.**

### **Strategic Risk Register (Paper 7)**

36. David Cameron presented an update on the Authority's Strategic Risk Register covering the delivery of the 2018 to 2022 Corporate Plan, as adopted by the Audit Committee at its meeting in May 2018 and subsequently by the Board at its June 2018 meeting.

37. **Members reviewed the risk register, noting that it was only a few weeks since the register had last been reviewed and approved by the full Board and that there were no changes warranted at this time.**

#### **Complaints Handling (Paper 8)**

38. David presented an update on the Authority's complaints handling since the Committee's last meeting in May 2018.
39. Members noted the update.

#### **Strategic Risk Review: LEADER Accountable Body Responsibilities (Paper 9)**

40. David presented a report setting out an in depth review of the strategic risk included in the Authority's Strategic Risk Register associated with the Authority's role as the Accountable Body for the Cairngorms LEADER programme. David noted that this report was in line with an internal audit recommendation to undertake more "deep dives" into specific strategic risks, and was also timely given ongoing discussions around risks of LEADER funding such as those members had engaged in as part of the discussion on the letter of representation.
41. David highlighted that all outstanding decisions on eligibility of Cairngorms projects appeared now to have been resolved in favour of the Cairngorms' interpretation in each instance. Repayment of LEADER grant had also been unblocked with significant funds now paid to the Authority.
42. However, concern remained around the proposed approach to conflict resolution within the LEADER programme and also on the approach to be taken in dealing with audit.
43. In discussion, members agreed with the risk analysis set out in the paper. Members welcomed David's perseverance in pursuing these matters with the central team over such an extended time, and also thanked the work of the Cairngorms Local Action Group and LEADER team in their effective delivery to date of the programme.
44. **The Committee agreed that the strategic risk around LEADER should remain as "escalating" as set out in the strategic risk register.**
45. **The Committee agreed the additional risk mitigation action proposed in the paper.**

#### **Date of Next Meeting**

46. 23 November 2018, Cairngorms NPA Offices, Grantown-on-Spey.
47. Meeting closed 10.25 hours

**Audit & Risk Committee: Outstanding Actions**

Action	Status
Audit and Risk Committee member training	Open
Audit and Risk Committee induction pack	Open
Risk mitigation action for LEADER Accountable Body role – letter to Scottish Government as outlined in paper to Committee 31 August 2018	Open