



# Cairngorms National Park Authority

Internal Audit Report 2021/22

Financial Management and Reporting

January 2022



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## Internal Audit Report 2021/22

### Financial Management and Reporting

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<b>Audit Sponsor</b>	<b>Key Contacts</b>	<b>Audit team</b>
<i>David Cameron, Director of Corporate Services and Deputy Chief Executive</i>	<i>Danie Ralph, Finance Manager William Munro, Board Member Carolyn Caddick, Board Member</i>	<i>Elizabeth Young, Engagement Lead Stephanie Hume, Senior Manager</i>

*Lorna Munro, Internal Auditor*

# Executive Summary

## Conclusion

**We have confirmed that The Cairngorms National Park Authority (CNPA) has achieved budgeted outturns, within a very low tolerance in previous years and are forecasting to do so again in 2022. We have also identified that there is a clear budget setting/business planning schedule in place, which is being adhered to, and a range of financial reports are being provided and scrutinised within the organisation.**

**However, we have identified some areas for improvement within the financial management framework. CNPA has not yet documented the current budget management/forecasting approach. Further, we have identified that COVID-19 has impacted on the communication of budget holders' financial responsibilities, including the monitoring of budget reports.**

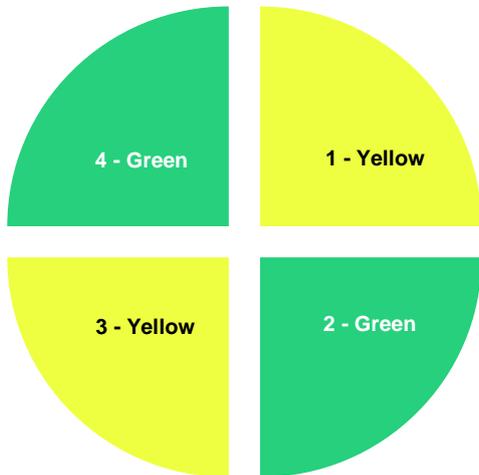
## Background and scope

The main sources of funding for Cairngorms National Park Authority is grant-in-aid funding. In order to ensure that Cairngorms National Park Authority achieves a balanced budget position, maximises the economic, efficient and effective use of resources and secures long term financial sustainability, robust financial budgeting, management and reporting processes and procedures must be in place.

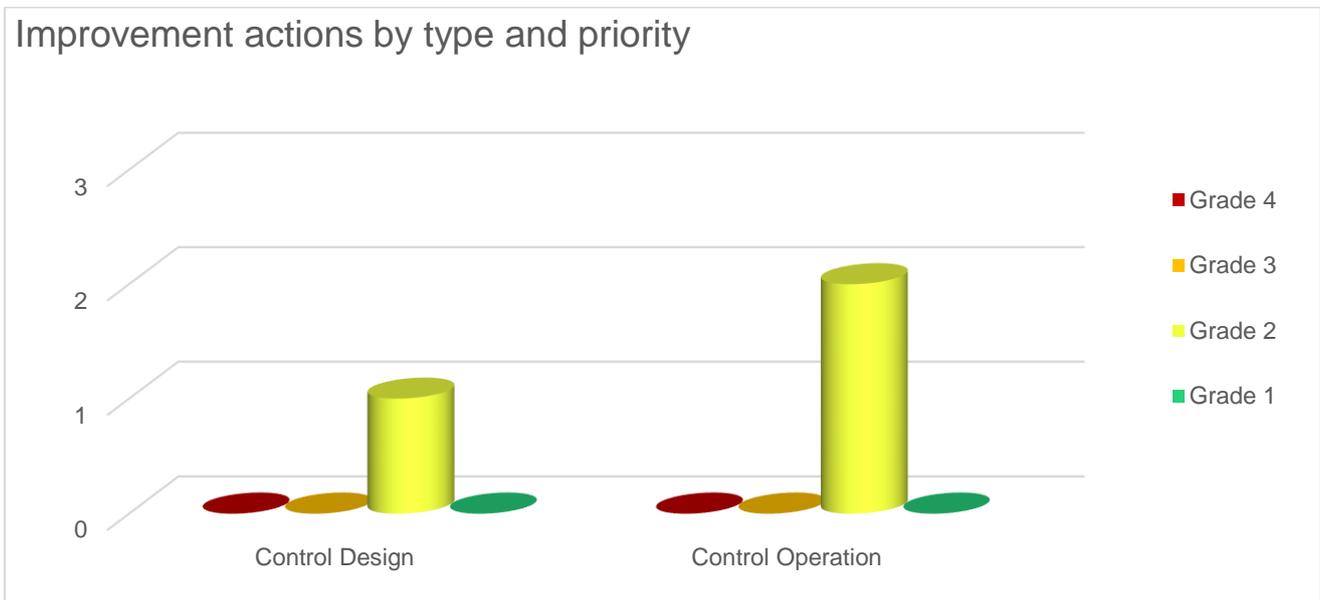
In accordance with the 2021/22 Internal Audit Plan, we reviewed the financial management and reporting within Cairngorms National Park Authority.

# Control assessment

- 1. There is an appropriate financial management and reporting framework that reflects and supports the structure and operations of the organisation and allows the use of resources to be planned and monitored.
  
- 2. Accurate and achievable budget forecasts are prepared and approved before the start of the period to which they relate.
  
- 3. Financial performance is monitored against targets with variations promptly identified and investigated.
  
- 4. Financial reports are circulated to all relevant parties in a timely manner and are sufficiently clear, detailed and understandable to support effective decision making and scrutiny.



Improvement actions by type and priority



Three improvement actions have been identified from this review, two of which relate to compliance with existing procedures, rather than the design of controls themselves. See Appendix A for definitions of colour coding.

# Key findings

## Good practice

CNPA procedures reflect good practice in a number of areas:

- The 2021/22 budget management timeline was communicated to the Board and was adhered to, despite the Scottish Government not providing information within the expected timeframe.
- The Director of Corporate Services and the Finance Manager provide a range of detailed information to managers and Board members on the organisation's financial performance.
- There is clear evidence that Board members are scrutinising the financial reports, with evidence of additional information being requested where required.
- Board members spoken to have a high level of confidence in the financial information presented and the quality of responses to queries.

## Areas for improvement

We have identified a small number of areas for improvement which, if addressed, would strengthen CNPA control framework. These include:

- Clarifying and communicating the roles and responsibilities for those with Delegated Financial Authority.
- Documenting the financial framework through a Budget Management Policy and updating the Finance Manual
- Reinforcing the need for budget holders to review budget reports and documenting the key actions to be taken.

These are further discussed in the Management Action Plan below.

# Impact on risk register

The CNPA corporate risk register included the following risks relevant to this review:

- Risk A1: Resources: public sector finances constrain capacity to allocate sufficient resources to deliver corporate plan.
- A11.1: Resourcing: Role as Lead / Accountable body for major programmes (e.g. LEADER, Landscape Partnership) has risk of significant financial clawback should expenditure prove to be not eligible for funding, while CNPA carries responsibilities as employer for programme staff.

The results of our review will not affect the impact or likelihood of either of these risks.

# Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

# Management Action Plan

Control Objective 1: There is an appropriate financial management and reporting framework that reflects and supports the structure and operations of the organisation and allows the use of resources to be planned and monitored.

Yellow

## 1.1 Delegated financial authority

Delegated financial authority is provided to relevant staff on appointment at CNPA. However there is no documented guidance provided to staff on their financial responsibilities nor are they required to formally sign any documentation acknowledging this responsibility.

Prior to 2020, we understand that new starts were introduced in person to the finance team and taken through their responsibilities, however since COVID-19 this has not taken place.

### Risk

There is a risk that staff do not fully understand and are not held to account for their role in financial management, as their responsibilities are not communicated or documented, resulting in poor financial management.

### Recommendation

Management should document and communicate the financial responsibilities of staff with financial authority, ensuring that all staff formally acknowledge their responsibilities.

**Management Action** Recommendation agreed. We will design and implement documented communication on the financial responsibilities and authority of staff and hold written acknowledgement of their recognition and understanding of their responsibilities.

Grade 2  
(Operation)

**Action owner:** Finance Manager and Management Accountant

**Due date:** 30 June 2022

## 1.2 Budget management policy

The Finance Manual is out of date and focussed on the roles and responsibilities of the finance team, providing detailed desk instructions for various financial activities, and although the corporate plan timetable outlines the budget planning timescale for the forthcoming year, an overarching Budget Management Policy is not currently in place.

It is good practice to clearly document the budget setting process (including the approach to forecasting), provide information on roles and responsibilities, budgetary controls, approvals, escalation, tolerances, reporting and provide links to the strategic and long-term planning processes.

### Risk

There is a risk that the roles, responsibilities and budget management approach are unclear, leading to confusion for staff and affecting the overall financial outturn and associated decision-making process.

### Recommendation

The finance team should prepare a Budget Management Policy, have this approved at an appropriate level and circulate it to relevant staff. The finance team should also ensure that the finance manual is up to date.

#### Management Action

Recommendation agreed. Budget Management Policy will be developed, approved and circulated to relevant staff.

Grade 2  
(Design)

**Action owner: Finance Manager and Management Accountant**

**Due date: 30 September 2022**

Control Objective 2: Accurate and achievable budget forecasts are prepared and approved before the start of the period to which they relate.



**No reportable weaknesses identified.**

CNPA has a clearly defined Budget Setting/Business Planning schedule to ensure that funding and budgets are appropriately considered., and we confirmed the schedule has key dates when activity and/or decisions are expected.

In addition we noted that while there were some delays in the Scottish Government communicating the budget for 2021/22 the budget was approved by the Board in March 2021 as planned.

Further, we confirmed the Resources Committee receive regular reporting on performance against budget with detailed supporting narrative provided on the budget position.

# Control Objective 3: Financial performance is monitored against targets with variations promptly identified and investigated.



## 3.1 Budget holder reviews

According to the Financial Manual, budget reports should be sent to budget holders on a fortnightly basis (in addition to ad hoc requests), with weekly reports issued in the last month of the financial year.

During the audit we found that these were not issued in 2021/22 until early December, covering the month of November. In addition, the Finance Manager noted that previously reports issued had gone unread by budget holders.

We are also advised that although the Finance Manager and Management Accountant regularly liaise with budget holders to discuss the financial position, there is no audit trail to provide assurance that there is active engagement by budget holders or that any necessary actions agreed have been implemented.

### Risk

There is a risk that staff are not held to account for their role in financial management incorrect financial information remaining unidentified and impacting CNPAs ability to achieve its objectives.

### Recommendation

Management should ensure that budget holders are reminded of their responsibilities in relation to regularly reviewing the budget reports. Finance staff should document key financial discussions/actions as a result of budget discussions with budget holders and ensure that actions are followed up timeously.

**Management Action** Recommendation Agreed. We will seek to incorporate these elements of our budget management policy referred to at 1.2 and implement appropriate actions within the Finance Team.

Grade 2  
(Operation)

**Action owner:** Finance Manager and Management Accountant

**Due date:** 30 September 2022

Control Objective 4: Financial reports are circulated to all relevant parties in a timely manner and are sufficiently clear, detailed and understandable to support effective decision making and scrutiny.



**No reportable weaknesses identified.**

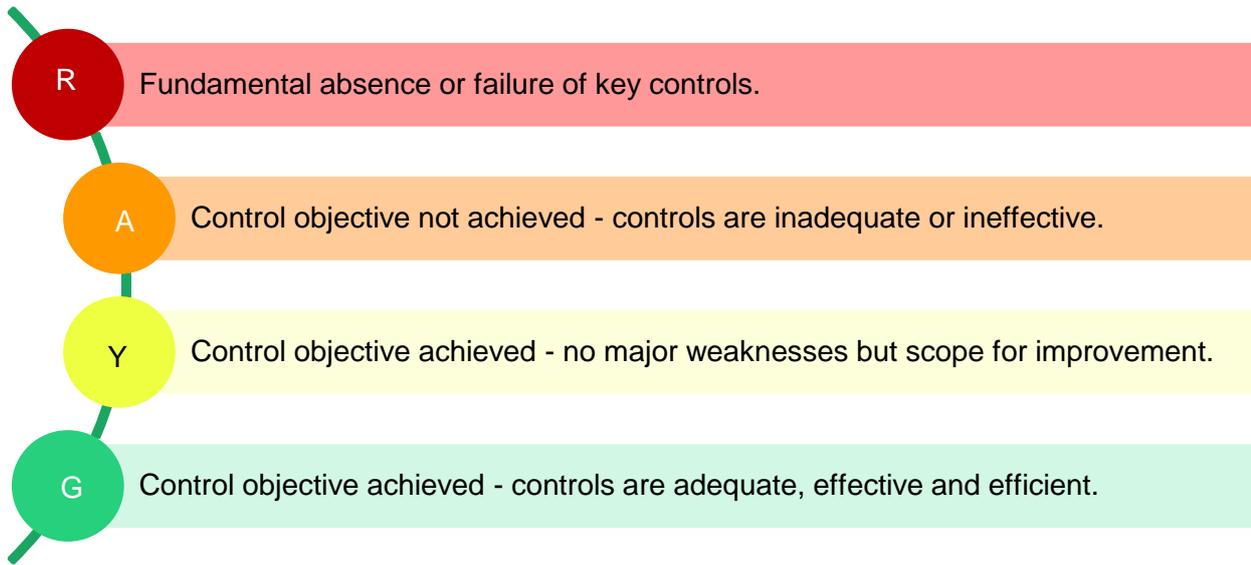
We confirmed that financial reports are presented to each meeting of the Resources Committee (and previously the Finance and Delivery Committee). CNPA aim for a breakeven position each year, with the target reflected in their corporate plan, and progress monitored through the financial reports.

We spoke to a number of Board members throughout fieldwork who confirmed that they have a high level of confidence in the information presented.

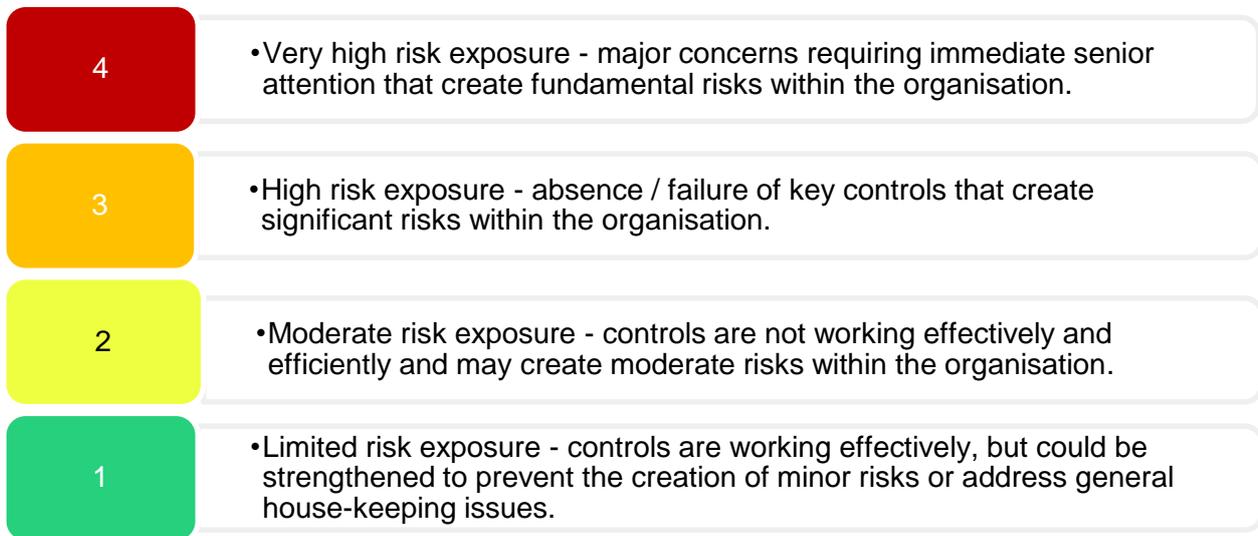
Further, we confirmed regular reporting is being provided to the SMT on the budget position.

# Appendix A – Definitions

## Control assessments



## Management action grades



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