

**DRAFT MINUTES OF THE AUDIT AND RISK
COMMITTEE MEETING of
THE CAIRNGORMS NATIONAL PARK AUTHORITY**

**held via Lifesize Video Conferencing
on 11 February 2022 at 1pm**

PRESENT

Judith Webb (Chair)
John Kirk
John Latham

Eleanor Mackintosh
Fiona McLean (Vice-Chair)
Gaener Rodger

In Attendance:

John Boyd, Grant Thornton
Elizabeth Young, Azets
David Cameron, Director of Corporate Services
Grant Moir, CEO
Kate Christie, Head of Organisational Development
Danie Ralph, Finance Manager
Helen Mason, Minute-taker

Apologies: None.

Welcome & Apologies

1. The Chair welcomed everyone to the meeting and there were no apologies.

Declarations of Interest

2. There were no interests declared.

Minutes of Last Meeting

3. The draft Minutes of the meetings on 29 October 2021 were approved with no amendments.

Matters Arising

4. Judith Webb, the Chair asked that thanks be passed to the Clerk to the Board for providing an update on actions which will be included when we send round agendas in the future.
5. David Cameron (Director of Corporate Services) ran through the Actions Log:

| Ref | Action Detail | Who | When | Status |
|--------------------------|---|-----------------------------------|----------------------------------|---------|
| 10/09/2021 (Para 3) | Ongoing Discussion at Board and Governance Committee on risk appetite. Discussions are to be had with internal audit on supporting this work. | David Cameron / Internal Auditors | Scheduled late Q3 or Q4 22/23 | In Hand |
| 10/09/2021 (Para 3) | Once Heritage Horizons programme had commenced, it to become a standing item on AR Committee's Agenda | David Cameron | For next AR Committee meeting | Closed |
| 29/10/2021 (Para 8i) | Bring lessons learned on LEADER back as Agenda item to a future AR Committee. | David Cameron | After the programme had finished | Open |
| 29/10/2021 (Para 20i) | Provide AR Committee with timetable for forward planning of meetings. | David Cameron | | Open |
| 29/10/2021 (Para 4i) | Priority to be given to completed a detailed VAT review during the remainder of 2021-22. | | By end March 2022 | In Hand |

2021/ 22 External Audit Plan (Paper 1)

6. John Boyd, Grant Thornton introduced the paper which presents the draft final plan for the audit of the 2021/2022 annual report and accounts. This is the last year of Grant Thornton as the appointed auditor. He highlighted the following points:
 - a) The Plan was similar to last year, establishing a risk-based approach common across all public sector bodies.
 - b) Includes planning materiality: to revisit on receipt of draft financial statements.
 - c) Note audit time line page 11. Does not expect any significant differences to this plan. Will complete audit with targeted sign off by end of September.
7. Chair expressed her thanks and noted the timeline remains the same, though Committee meeting dates may differ.
8. The Audit and Risk Committee discussed the paper and made the following comments and observations:
 - a) Director of Corporate Services advised that there would be an Audit & Risk Committee meeting on 9th September to enable sign off by end of September.
 - b) A member asked what does trivial materiality mean? John Boyd explained this represents a threshold below which the financial level is not significant, and is not considered to have an impact on financial statements
 - c) Clarity sought on the overall materiality stated as anything above £143,000. John Boyd explained that the materiality to users of the accounts, with the main user being the Scottish Government established the levels at which reporting matters were considered of significance.

- d) Trivial materiality was then explained as anything below this wouldn't have any significance to the reader's understanding of the financial position of the organisation. John Boyd summarised that the external auditor cannot audit to the nearest pound, but robust assurance was needed for the user of the accounts that the information gives a true and fair view of the overall financial position. These concepts helped the auditor establish this position.
9. **The Audit and Risk Committee:**
- a) **Agreed the final external audit plan for the external audit of the 2020/21 annual report and accounts;**
 - b) **Noted the fee for the audit will be resolved following final audit preparatory review as set out in the plan.**
10. **Action Point Arising:**
- i. **Auditor agreed to complete audit with targeted sign off by end of September 2022.**

Internal Audit: Financial Management and Reporting (Paper 2)

11. Elizabeth Young, Azets, introduced Paper 2 which presents the review of the Cairngorms NPA's approaches to, and controls in place for our financial management and reporting. The review has been undertaken as part of the agreed Internal Audit Plan for 2021/22.
12. The Audit and Risk Committee discussed the paper and made the following comments and observations:
- a) Chair noted useful style and layout of reports presented and all management actions have been agreed.
 - b) Director of Corporate Services welcomed the report and noted the restructuring of the finance team with new staff resources.
 - c) Member asked to clarify whether agenda items were for decision or discussion. Director of Corporate Service thought this a mistake and this item should be re-titled as a decision item. He clarified that all internal audit reports were always presented for decision by Committee, as it was a responsibility of the Committee to consider the audit recommendations and management responses to those recommendations to ensure members were satisfied, on behalf of the board, that management were operating appropriate internal control systems.
 - d) Member asked about clarifying management levels of delegated authority. Director of Corporate Services advised that the scheme of delegation has to be renewed and training carried out on the back of revised policies and organisational restructuring.
 - e) Director of Corporate Services clarified further they are looking at each management level to sign off financial commitments at an appropriate level with regard to each tier of responsibility. Then all staff will be trained on the time line indicated. The urgency of the matter was recognised.
13. **The Audit and Risk Committee:**
- a) **Considered the internal auditors report and findings;**

- b) **Endorsed the management responses to recommendations for future action and system improvements.**

14. Action Points Arising:

- i. **None.**

Internal Audit: Assurance Mapping of Major Projects (Paper 3)

15. Elizabeth Young, Azets, introduced Paper 3 which presents the review of the Cairngorms NPA's approaches to assurance over major projects. The review has been undertaken as part of the agreed Internal Audit Plan for 2021/22. It was noted that the CNPA has recognised need to firm up arrangements over this area of work and had implemented a number of new controls. Highlighted progress on good practice. Some improvements were still needed as this remained work in progress:
- a) Overall management approach to ensure implementation of system is finalised on a timely basis.
 - b) Reports to performance committee; some were not complete with adequate financial information: this should be tightened up.
16. The Audit and Risk Committee discussed the paper and made the following comments and observations:
- a) The Chair welcomed the report and advised it was timely with helpful recommendations.
 - b) Director of Corporate Services praised the helpful guide and report. He informed Committee that has taken an amendment to the reporting template to the management team in order to take forward the need for consistency and coverage of financial indicators. He reported that they would be using the revised cover paper for Performance Committee moving forwards, and confirmed that management werestill reviewing and adapting our systems.
 - c) CEO highlighted the positive overall report on major projects and recognised that it was a good basis for moving forwards.
 - d) Member welcomed recommended improvement in consistency in terminology and language. How would this be communicated to the Board and across the organisation? Director of Corporate Services noted that Vicky Walker (Governance and Reporting Manager) would be taking forward standardisation of procedures and terminology. He advised that it would be brought back to the Committee to ensure sure that language was clear to Board members.
17. **The Audit & Risk Committee:**
- a) **Considered the internal auditors report and findings;**
 - b) **Endorsed the management responses to recommendations for future action and system improvements.**
18. **Action Point arising:**
- i. **Vicky Walker (Governance and Reporting Manager) to take forward standardisation of project management procedures and terminology. This to be brought back to the ARC to ensure the appropriate language was used.**

Internal Audit Progress Report (Paper 4)

19. Elizabeth Young, Azets, introduced Paper 4 which presents the Internal Auditor's Progress Report.
20. **The Audit & Risk Committee considered and agreed the internal auditor's progress report.**
21. **Action Point arising:**
 - i. **None.**

Internal Audit Strategic Internal Audit Plan 2022/23 (Paper 5)

22. Elizabeth Young, Azets introduced Paper 5 which presents the strategic internal audit plan including the proposed internal audit work for the 2022/23 financial and operational year.
23. The Audit and Risk Committee discussed the paper and made the following comments and observations:
 - a) Members agreed that this wider approach is a pragmatic approach to the Authority's evolving work and key areas of risk management and control.
 - b) A member asked what is the thinking around the LEADER approach to annual audits when there are many other aspects of our activities which could be reviewed? Clarification sought into the thinking behind the summary of checks and balances. Director of Corporates Services advised that it was a requirement of Scottish Government around LEADER for all public bodies to undertake internal audit whenever there is spend in a European financial year (16th to 15th October). He had discussed with Scottish Govt if we have to put an internal audit in place, and this had been confirmed. For the coming year, we will focus audit time on the closure of the LEADER scheme to add value and assurance to the Authority's position as accountable body for closure processes.
 - c) Member asked for clarification around payroll expenses, what was 100% sampling? It was explained that this covered 100% of the population which was considered.
24. **The Audit & Risk Committee:**
 - a) **Considered the internal auditor's strategic internal audit plan;**
 - b) **Considered the specific internal audit plan for 2022/23 internal audit work and the appropriateness of that plan for the Authority's needs;**
 - c) **Agreed the internal audit plan for 2022/23.**
25. **Action Points arising:**
 - i. **None**

Strategic Risk Management Overview (Paper 6)

26. David Cameron, Director of Corporate Services, introduced Paper 6 which presents the most recent update to the Authority's strategic risk register, following review of risk management action and position by the Senior Management Team in January 2022. He added that it had been agreed that Heritage Horizons will be a separate ongoing agenda item for the Committee.
27. The paper also presents an update on handling the risks in delivery of the Heritage Horizons programme, together with an update on management of COVID19 business continuity risks to allow the Committee to take assurance over the management of these programme specific risks and adequacy of coverage of the strategic risk register with regard to these strategic programmes.
28. The Director of Corporate Services highlighted a new risk added from a Management perspective to Risk Register - the risk of securing staff with the relevant expertise and knowledge in the context of an increasingly difficult recruitment market.
29. The Director of Corporate Services also proposed that it was now time to reduce the priority of business continuity planning and COVID management risks and now end the consideration of the BCP risk register by the Committee. His overall assessment on the basis of the latest risk register now presented to the Committee is that all risks are under effective mitigation management or overtaken. The Committee would be informed, or could decide, if events changed and there was a need to again consider business continuity management risks.
30. The Audit and Risk Committee discussed the paper and made the following comments and observations:
 - a) There was discussion about the format of the three registers and whether the Strategic Risk register be put into the same format as the Heritage Horizons one? This has a different approach and does not use multipliers. This approach prevents some of the problems of using multipliers. Director of Corporate Services would like to get to some form of standardisation of format but the Strategic risk register has worked well over time, helping focus discussion on actual risk and mitigation and not on formulaic assessments of relative likelihood and impact. He agreed the format has historically changed a lot over time and could be tidied up.
 - b) Concern expressed about Heritage Horizons (HH) appearing on agenda and the Performance Committee also looking at it. The CEO clarified that the programme Board included himself as the Chair and Board Deputy Convener, Carolyn Caddick as members and they report quarterly to the Performance Committee. Performance Committee can escalate any issues to the CNPA Board if it wishes. He added that the Governance is well set out. CEO added that it was a Partnership Project with a lot of different parts to it. The overall control by the CNPA's Head of Heritage Horizons was also a key control mechanism for the Authority as the responsible body.
 - c) The Chair advised HH does need to be in the CNPA Risk Register.
 - d) Comment made that if the programme management timescales were not sufficient, could it be clarified what was happening given that there was no

preventative mitigation available. CEO explained that there was a fixed time scale on the development phase to be finished by March 2023 and to submit the application by June 2023. The CEO explained the Mitigation measures: project managers had been advised on the need to tailor their project plans to available time and test whether outcomes as originally envisaged could be realised; we had managed to recruit staff quicker than thought; tenders were about to go out; we are putting in more resource into overall management the CEO explained that overall, the programme is in as good a position as can be, while recognising that 12 months was a tight time scale for coordination and development of 25 projects. We have caught up a bit but there is pressure of timescale and amount of work. Director of Corporate Services added that there was nothing that could be done to change the time line so no preventative mitigation measures could be put in place, while the CEO had just outlined all the remedial mitigation actions now in place. Contingency planning also through a close relationship between David Clyne, Heritage Head of Horizons and Programme Manager and National Lottery Heritage Fund (NLHF) as key funder. Overall, if we have to curtail expectation of our information base supporting the Delivery Phase application towards the deadline date that will be known well in advance and can be discussed with NLHF.

- e) Director of Corporate Services advised that the reason HH has been brought to this committee is that if the Committee has any concerns which need to be escalated, this can go back to the full Board and / or the Authority's strategic risk register can be amended.
- f) John Boyd, Grant Thornton, advised that having regular look at risks of HH will become business as usual. Regarding the risk register format, the key consideration is what works for the organisation and highlights the strategic risks. John Boyd highlighted the potential to use the risk register to consider opportunity as well as risks: for example recruitment and the potential for remote working to attract people from further afield.
- g) Elizabeth Young, Azets, advised to use the model that works for you. Elizabeth noted the possibility of middle ground: 20 risks was a lot with the aspirations to bring down to 15, and maybe categorising risks would allow some consolidation and simplification while planned consideration of risk appetite may help remove some where the appetite is higher.
- h) Discussion about not being able to recruit properly qualified staff. A lot of our staff have moved to HH, so we need to fill the gaps – therefore a question of whether this should be on the Strategic Risks register? Comment made that this was a huge risk going forward with our other work. CEO clarified that only 3 of 10 internal staff have made the move into HH roles. The main consideration and risk for us is that we used to get 40 or 50 applications per post now in some cases that is only 3 or 4 applications. Housing availability to let people to move here is a major issue. For example, Community Development Management Post needed re-advertising as the person appointed did not wish to move. This is a much more general issue and not directly linked to HH. We need to mitigate these risks.
- i) Director of Corporate Services explained that HH allows the opportunity for internal moves so we are also still retaining trained staff while giving opportunity for personal development which was a common issue in staff survey feedback. He recognised that projects do mean vacancies to fill in a reduced employment market.

- j) With reference to the Strategic risks register namely the two red risks: Wildlife Crime and Peatland Program, could it be explained what the organisation could do to mitigate the risks?
- k) On the risk associated with Peatland, Director of Corporate Services explained some of the remedial mitigations actions:
 - i. Phasing of works – less technical jobs done first and new contractors can learn the craft
 - ii. Training:
 - iii. Financial profiling: working with Scottish Government to reprofile the use of capital so it can be used when there is a healthier contractor supply coming through.
- l) Clarification sought around Peatland Restoration and who was ultimately responsible if anything goes wrong? CEO explained that it was a contractual relationship, the estate that does the work is responsible as a rule for a period of time. There are mitigation measures in place and there is ongoing monitoring.
- m) On the risk associated with Wildlife crime, resounding feeling that this was getting worse and a reputational risk. How could we work with the estates to encourage better attitude to wildlife? CEO there is a lot of work that is going on. Satellite monitoring as well as licencing and legislation. Crimes are committed, there is police involvement and licence restrictions by NatureScot. CEO meets with Police Scotland wildlife crime officers on a quarterly basis to discuss ongoing actions.
- n) The Committee noted that now NatureScot has now done a restriction and that might make a difference.

28. The Audit & Risk Committee:

- a) **Reviewed the Authority's strategic risk register, agreeing any required amendments or mitigation actions;**
- b) **Agreed any strategic risk management implications and their potential mitigation arising from the heritage Horizons programme development phase;**
- c) **Agreed that the COVID19 Business Continuity Risk Register may be reduced to operational management and monitoring status.**

29. Action Points arising:

- i. None

Governance: Consideration of Board Election Processes (Paper 7)

- 30. Motion to take this item in Confidential Session: consideration of development of governance processes which will be put into the public domain when finalised. .

AOCB

- 31. There were no items raised.

Date of Next Meeting

32. The next scheduled Audit and Risk Committee meeting will take place on Friday 13TH May 2022.
33. The public meeting finished at 2.40 pm.

Draft version 0.3 Director of Corporate Services & Deputy Chief Executive review