Cairngorms National Park Authority

Financial year ended 31 March 2021

Prepared for the Accountable Officer and the Auditor General for Scotland

Draft External Audit Report 2 September 2021

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Cairngorms National Park Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key messages

This is our final report to the Accountable Officer and the Auditor General For Scotland and concludes our audit on the financial year ended 31 March 2021. We have issued an unmodified audit opinion on the annual report and accounts, including an unmodified opinion on regularity and the Remuneration Report. We thank management for all their assistance during the audit process.

01 Materiality

We re-calculated our materiality based on the unaudited annual report and accounts. The benchmark of 2% of gross expenditure remained the same. This resulted in:

- Materiality of £143,680 and a performance materiality (75% of materiality) of £107,760.
- All audit adjustments above £7,200 were reported to management and captured in this report.
- Lower materiality of banding on Staff Remuneration Report (being £1,000).

02 Financial statement audit risks

At planning, in accordance with the ISAs (UK) and FRC Practice Note 10 we have identified the following significant financial statement audit risks:

- Management override of controls (ISA UK 240)
- Risk of fraud in revenue (cut-off) (ISA UK 240)
- Risk of fraud in expenditure (cut-off) (FRC PN10)

We have no matters to bring to your attention arising from our work over these significant audit risks.

03 Other audit matters

Our final report summarises a number of other audit matters, including:

- We have concluded that CNPA meets the definition of a going concern, reflecting on FRC Practice Note 10 considerations.
- The accounts contain areas of estimation and judgement. We did not identify any areas of significant estimate or judgement. Other areas of estimation and judgement relate to: provisions (including LEADER programme); depreciation of property, plant and equipment; and, accruals. Our testing over these did not identify any indication of management bias.
- We set out our roles and responsibilities on fraud. During the course of our work we did not identify fraud and/or material error.

We identified one unadjusted misstatement to the draft accounts as well as a number of disclosure adjustments. These are detailed in Appendix 1 and not considered material to the accounts.

04 Wider Scope Audit

In accordance with the Code we determined that Cairngorms National Park Authority ("CNPA") meet the definition of a smaller body. This is based on CNPA's income and expenditure transactions and balances held being relatively smaller than other public bodies and the financial statements are considered less complex.

In accordance with the Code we have concluded in this report on your governance statement and CNPA's financial sustainability arrangements. During our audit we did not identify any further areas of wider scope risk.

05 Our Audit Fee

Our audit fee, set out in our audit plan, of £11,590 was our final audit fee. There were no non-audit services (fees) during the year and we did not need to vary our agreed fee.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2021 at CNPA. The scope of our audit was set out in our External Audit Plan communicated to the Audit and Risk Committee on the 3 February 2021 and finalised and submitted to CNPA on the 31 March 2021.

The main elements of our audit work in 2020/21 have been:

- An audit of CNPA's annual report and accounts for the financial year ended 31 March 2021; and
- Consideration financial sustainability and the Governance Statement, as required under the smaller body classification, within the Audit Scotland Code of Practice (2016).

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the Accountable Officer and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

[Status of the audit

As at 1 September 2021 our audit is substantively complete subject to the following outstanding audit procedures:

- Final disclosure review;
- Final processing of audit evidence in relation to payables and receivables;
- Final subsequent events and completion procedures;
- Final Engagement Leader review.]

Responsibilities

CNPA is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. CNPA is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to CNPA throughout our audit work. In delivering our audit we use a dedicated public sector audit team. This ensures our team have a comprehensive understanding of CNPA and the wider public sector to focus on key areas of risk relevant to your financial statements.

As a result of the social distancing and travel restrictions implemented in response to the Covid-19 pandemic our audit work was delivered remotely. We continue to share recommended practices with management, where relevant, and contribute to wider discussions at the Audit and Risk Committee during the year.

Audit of the annual report and accounts

Key messages and judgements

We have issued an unmodified audit opinion on the annual report and accounts.

There were no adjustments to the primary financial statements. There was one unadjusted misstatement to the primary financial statements. We raised a number of minor disclosure adjustments identified from our review of the annual report and accounts. We do not consider these to be material. Further details are provided in ***Appendix 1.***

We would like to thank management for all their assistance during the year in ensuring the delivery of the audit, to the timescales agreed at the start of the financial year.

Our audit opinion

For the financial year ended 31 March 2021 we [plan to] issue an unmodified opinion on the annual report and accounts. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The audit process

In accordance with our annual external audit plan, our audit work commenced in June 2021. We received the draft primary financial statements in line with our agreed timetable. There were no audit adjustments to the draft primary financial statements. There was one unadjusted difference to the draft financial statements in relation to separate recognition of provisions. We also identified a number of disclosure adjustments in respect of the draft financial statements. A full listing of disclosure misstatements is detailed in Appendix 1. We do not consider these to be material to the financial statements.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our audit plan communicated to the Audit and Risk Committee on the 3 February 2021 and finalised and submitted 31 March 2021. We updated our audit materiality to reflect the 2020/21 draft financial statements. It is set at £143,680, representing 2% of gross expenditure. Performance materiality was set at £107,760, representing 75% of our calculated materiality. We report to management any difference identified over £7,200 (Being 5% of overall materiality).

We applied a lower materiality threshold for Directors Remuneration disclosures within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £1,000).

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary

Management override of controls
 	
As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override CNPA's controls for specific transactions.
 	
We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement. This includes manual journals as well as critical judgements or estimates.
	• We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
	• We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2021 and retrospective review of those estimates as at 31 March 2020. This included depreciation and accruals.
	• Journals testing including:
	  • Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
	  • Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they are appropriate and suitably recorded in the financial ledger;
	  • Target testing of transactions around the financial year end, reviewing large journals and those which appear unusual to understand the rationale for the transaction.
	
	Conclusion
	Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions tested. We did not identify indication of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement.
	[subject to conclusion of audit procedures]

Risks identified in our Audit Plan	Commentary
Risk of fraud in revenue recognition (occurrence, completeness) Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities. In 2019/20, CNPA received £4.87 million in revenue funding from the Scottish Government (resource DEL (cash and non-cash)). While material, we consider this funding to be well forecast and directly agreed to Scottish Government funding letter and draw down. We therefore consider the opportunity and incentive to manipulate this funding as low and rebut the presumed risk around revenue recognition over revenue resource allocation. We therefore consider the risk of fraud in revenue recognition to be present in material revenue streams recognised within contract income, being operational plan income and other income. As financial performance targets are primarily set for year end outturn position, including financial performance against the Scottish Government funding, we therefore consider the risk is prominent around year end revenue transactions and receivable balances. In the context of medium term financial pressures facing the organisation, there is an incentive for both over and understatement of revenue either to support the delivery of in year performance targets or to support next years. Consequently, we attach the risk to both occurrence and completeness of revenue at the year end.	• We performed walkthroughs of the controls and procedures over planning fee income, programme income and project income. • For these income streams, substantive testing over income recognised in the final two months of the year where there is an inherently higher susceptibility of fraudulent recognition. • Sample testing of receivable balances held at 31 March 2021 through agreeing balances held to invoices and/or other supporting records. • Reviewed Management's assessment of bad debts including their assessment of outstanding debt and forecast recovery. • Performed income cut-off procedures and substantive testing over pre and post year end balances, over non GIA funding income streams. **Conclusion** Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of income. We did not identify any exceptions in the completeness or occurrence of income balances at year end and are satisfied that income is free from material misstatement. Through our substantive procedures and sample testing we did not identify any income which was not in accordance with the nature of the CNPA (regularity testing). [subject to conclusion of audit procedures]

Risks identified in our Audit Plan	Commentary
Risk of fraud in expenditure recognition (completeness, occurrence) As set out in Practice note 10 (revised) which applies to public sector entities we consider there to be an inherent risk of fraud in expenditure recognition. As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. In addition, depreciation represents the allocation of the cost of an asset over its useful economic life. These costs are well forecast and stable based on assets useful economic lives and therefore not considered at risk of material misstatement. We therefore focus on non-pay expenditure including operational plan expenditure and other operating costs, excluding depreciation. We consider the risk to be particularly prevalent around the year end and therefore focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting in-year to Scottish Government and the need to achieve the financial targets set.	• We performed walkthroughs of the controls and procedures over non-pay expenditure streams including programme expenditure, project expenditure and other operating costs; • Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording; • Focused substantive testing of non-pay expenditure recognised post year end to identify if there is any potential understatement to address the risk of cut-off; and • Review of accruals and payables, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates. **Conclusion** Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or payables balances at year end. Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of the CNPA (regularity testing). [subject to conclusion of audit procedures]

Significant estimates and judgements

CNPA's annual report and accounts contain limited areas of estimation and judgement. Management have recognised a significant estimate in the accounts around the LEADER programme. Given the value of the LEADER programme provisions is below materiality we do not consider this to be a significant estimate. The only other areas of estimation relates to depreciation of property, plant and equipment and accruals (including deferred income). We do not consider these to represent significant estimates or judgement as the estimation involved is unlikely to result in a material change in the next 12 months. We have raised an unadjusted disclosure adjustment (Appendix 1).

Other estimates and judgements

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions	Provisions are based on Management's assessment of the likely future costs incurred in relation to sums recovered through potential reclaims through the LEADER programme, or through redecoration provision or untaken annual leave. Provisions are reviewed throughout the year and as part of outturn assessment by Management.	We have reviewed the approach adopted by CNPA in arriving at estimates for accruals and deferred income. As at 31 March 2021 total provisions were £60,000 and therefore we do consider them to represent areas of material estimation and judgement. The reduction in the provision reflects the work undertaken in 2021 to remove any redecorate works required on the new lease. There is no indication of management bias in the estimate.	[Light purple]
Depreciation of property, plant and equipment	Depreciation is provided on a straight-line basis on all property, plant and equipment (excluding freehold land and assets under construction) at rates calculated to reflect expected useful economic lives. Periodic reviews of other NDPB accounts are undertaken too to ensure rates are in line with other NDPBs. review of depreciation and capitalised assets in year through periodic management accounts and discussions between the Finance Manager and Director of Corporate Services. No outside service providers or management experts are used.	We have reviewed the depreciation policies applied by CNPA and are satisfied that these are reasonable given the nature of the assets held. We have performed analytical procedures to confirm that the depreciation charges in the year is in line with our audit expectation. There us no indication of management bias in depreciation rates applied.	[Light purple]

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Accruals (and deferred income)	Accruals reflect expenditure that has occurred by 31 March 2021 but for which CNPA have not received an invoice at the balance sheet date. These predominantly relate to invoices received after the year end relating to 2020/21 or where there is a contract in place but invoice is outstanding (mainly other public bodies) or for payroll costs where payment is outstanding at 31 March. Deferred income, reflects balances where cash has been received but for which performance conditions / restrictions permit recognition of the income until future years. As part of the annual accounts process Management review income received and assess performance conditions outstanding.	We have reviewed the approach adopted by CNPA in arriving at estimates for accruals and deferred income. Our testing found there to be limited areas of estimation and judgement. There is no indication of management bias through sample testing performed.	[Light purple]

Assessment

- Dark Purple — We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue — We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey — We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple — We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Internal control environment

In accordance with ISA requirements we have developed an understanding of the control environment in place within CNPA. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We did this through a walkthrough of key controls within CNPA including payroll, expenditure, grant income, income and journals. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to CNPA and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2020/21 HM Treasury Financial Reporting Manual (FReM).
- We enquired of management and the Audit and Risk Committee, concerning CNPA's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit and Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of CNPA's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered CNPA's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 6.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - CNPA's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - CNPA's control environment, including the policies and procedures implemented to ensure compliance with the requirements of the financial reporting framework.

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

Issue	Commentary
Matters in relation to fraud and irregularity	It is CNPA's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of CNPA's accounting policies, accounting estimates and financial statement disclosures. Disclosures and accounting policies are in line with the FReM and we have no matters to report.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.
Opinion on other aspects of the annual report and accounts [subject to final Engagement Leader review]	We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the FReM, and the Accounts directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required and are satisfied that these have been properly prepared in accordance with applicable legislation. The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the FReM and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the directions made thereunder by the Scottish Ministers.

Issue	Commentary
Matters on which we report by exception	We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit; or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Governance statement	The governance statement is included within the Accountability Report. The report outlines the governance framework in place at CNPA. The Report includes the Statement of the Accountable Officer's responsibilities and had been prepared in accordance with the FReM. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value and this is confirmed in the narrative in the annual report and accounts. There were no matters arising from our review of the governance statement that we want to draw attention to.
Written representations	A letter of representation has been requested from the Accountable Officer, including specific representations, which is included in the Audit and Risk Committee papers. Specific representations have been requested from management in line with prior years and confirms as auditors all records have been made available to us.
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by CNPA meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management's assessment of the appropriateness of the going concern basis of accounting and conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Regularity	The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Wider scope audit – Smaller body

As set out in our Audit Plan, CNPA meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016). Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Governance Statement. Our work on the governance statement, and conclusions are set out on page 13 of this report. Below we have captured our commentary and conclusions on financial sustainability and other matters of interest during the year.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Governance arrangements (Audit Scotland planning guidance consideration)	**No significant risks identified within our audit planning.**	**Governance** During 2020/21 CNPA's governance arrangements continued to operate as intended, and as in prior year. CNPA responded to the Covid-19 pandemic through continuing with existing governance arrangements, working remotely through holding Board and supporting Committees via video conferencing. During 2020/21 there was a degree of change at the organisation with the Director of Corporate Service taking the role as Deputy Chief Executive and Director of Corporate Services reflecting the role he had been undertaking for a number of years. CNPA continue to look to develop and enhance its governance arrangements. Building on the Board members "On Board" training session in 2019/20, the Board have held further workshops around areas of enhancing governance arrangements. A key aspect for CNPA is ensuring the Board and committee business continues to retain a focus on the Authority's key strategic priorities, enabling Management to focus on the delivery of these.	We did not identify any concerns around CNPA's governance arrangements or disclosures within the draft Governance Statement.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Financial Sustainability, (as applicable to a smaller body)	No significant risks identified within our audit planning.	For 2020/21 CNPA reported net expenditure of £5.473 million. The financial position was broadly in line with budget with a small overall underspend against resource departmental expenditure limits (DEL) of £221,000 consisting of an underspend against cash DEL of £65,000 and an underspend of £156,000 against non cash DEL. The outturn position reflected relatively strong performance during a period where service delivery and operations were impacted through covid-19. Overall operating activity reduced significantly, seeing a year on year reduction from £3.469 million to £1.711 million. However this was offset through reductions in costs, particularly in relation to operational plan expenditure. The CNPA Corporate Plan (2018-22) outlines the organisations' key priorities for the 5 year period. The plan is underpinned by Financial projections detailing how income and funding generated would support the spend incurred in delivering these objectives. Annually the Board set an annual operating budget. For 2021/22 CNPA have forecast available income resources of £9.585 million, including Peatland Restoration funding of £2.285 million. Management have estimated core running costs of £4.994 million and operational plan provisions of £1.739 million leaving the residual balance for the delivery of new programmes, including the Peatland Restoration, demonstrating that CNPA continues to operate within financial resources available. Over the longer term, CNPA has had a further significant award of resources to support further innovation and work on conservation and climate action from the National Lottery Heritage Fund (NLHF). In July 2021, the NLHF announced an allocation of £12.6 million toward the Heritage Horizons (Cairngorms 2030) programme with total budgeted expenditure of £43.2 million. This represents a significant investment for CNPA and it is therefore important that Management ensure that it has in place effective processes and controls as well as resources to ensure the funds are administered appropriately.	Through our audit procedures we have not identified any significant risks in relation to CNPA's financial sustainability. CNPA's operating expenditure is funded through a combination of programme, project and other income as well as grant-in-aid funding. Following the announcement of significant investment in Heritage Horizons, it is important that Management ensure that it has the appropriate processes and controls as well as resources in place to ensure the funds are administered appropriately. In addition, as the funding arrangements become clear, it is important there is early consideration of the accounting treatment of these funds to ensure appropriately recognised in accordance with the FReM. (*See Action Plan Point – 1 Appendix 3*)

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were no corrected misstatements to the primary financial statements. There was one uncorrected misstatement to the primary financial statements in relation to separately disclosing provisions from trade and other payables.

Impact of unadjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Statement of Comprehensive Net Expenditure £'000	Statement of Financial Position £' 000
Being adjustment to separately recognise provisions from trade and other payables and other current liabilities on the primary financial statements (Note required disclosures around provisions also required)		Cr Provisions (60) Dr Trade and other payables 60
Overall impact	-	-

[subject to finalisation of audit procedures]

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. [subject to finalisation of audit procedures]

Disclosure	Auditor recommendations	Adjusted?
Annual Report	Performance and Governance sections amended to reflect NLHF award as well as forward looking aspects of the accounts. Minor changes to performance report to incorporate comparative information.	✓
Chief Executive Foreword	The FReM requires the annual report and accounts to comprise three main areas: the financial statements; the Performance Report and Accountability Report. While we are satisfied the foreword does not contain any specific information required under the FReM we have requested to be included as part of the Performance Report.	✓
Financial instruments	Financial instruments disclosure in the accounts should disclose financial instruments based on how the valuation is held. This would be Fair Value Through Profit and Loss or amortised cost. The current note does not make this distinction and should be updated to reflect the requirements of the financial reporting standards	No – The financial instruments note does not categorise the Authority's financial assets and financial liabilities in accordance with the requirements of FReM and reporting standards. The majority of assets and liabilities are held at amortised cost. We are satisfied this does not represent a material omission from the accounts.
Intangible assets accounting policy	Intangible asset accounting policy updated to reflect requirement of the FReM and current accounting treatment. Where an active (homogeneous) market exists, intangible assets other than those that are held for sale should be carried at current value in existing use at the reporting period date. Where no active market exists, entities should revalue the asset, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the asset should be valued using depreciated replacement cost.	✓

Disclosure	Auditor recommendations	Adjusted?
Critical judgements	International Financial Reporting standards prescribe the required disclosures in relation to critical judgements. It also requires separate consideration of accounting estimates. CNPA should disclose judgements that Management makes when applying its accounting policies that have the most significant effect on carrying amounts in the financial statements. Significant Estimates relate to assumptions and estimates at 31 March that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In the draft accounts, Management have disclosed the LEADER provision as a significant estimate. We would not consider this to represent a significant estimate or critical judgement as it is not material and there is not a significant risk of a material change in the next 12 months. In addition, where a significant estimate is disclosed, there is an opportunity to enhance the disclosure to focus on those key areas of estimation that may have a significant risk of material misstatement in the next 12 months.	No – While we do not consider the LEADER provision to represent an significant estimate or critical judgement, we have not identified any other areas of estimate or judgement in preparing the financial statements that would require disclosure. Furthermore, we are satisfied that the disclosure of the LEADER provision estimation does not represent a material error in the accounts.

There were minor presentational (rounding / formatting) changes recommended to Management. These are not considered material to the accounts.

2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2020/21, the one significant recommendation arising from our audit work.

Recommendation	Agreed management response
1. National Lottery Heritage Fund administration CNPA has had a further significant award of resources to support further innovation and work on conservation and climate action from the National Lottery Heritage Fund (NLHF). In July 2021, the NLHF announced an allocation of £12.6 million toward the Heritage Horizons (Cairngorms 2030) programme with total budgeted expenditure of £43.2 million. This represents a significant investment for CNPA and it is therefore important that Management ensure that it has in place effective processes and controls as well as resources to ensure the funds are administered appropriately. In addition, as the funding arrangements become clear, it is important there is early consideration of the accounting treatment of these funds to ensure appropriately recognised in accordance with the FReM, this should then support updating financial plans both over the short to medium term.	Agreed Action owner: Director of Corporate Services, Deputy Chief Executive Timescale for implementation: By end of December 2021

3. Follow up of 2019/20 recommendations

We set out below our follow up of our 2019/20 recommendations and these are reflected below for information.

Financial plans

Over the medium term the Authority recognises the changing strategic context for the National Park Authority and in particular the transition to delivering the priorities set out in the National Park Partnership Plan 2018-22 as well as relevant Scottish Government priorities. For 2020/21 the Authority has agreed grant-in-aid funding and budget in place. As grant- in-aid funding is only confirmed annually, there remains uncertainty around future levels of funding. The Authority has projected flat cash grant in aid settlement for 2021/22. The Authority has also taken measures through the agreement of extensions to LEADER programme and National Lottery Heritage Fund programme funding to support the organisation into 2021/22 and through this uncertain period. In the context of financial uncertainty faced, particularly in responding to the impact of Covid-19, CNPA should continue review financial forecasts to ensure the organisation continues to remain robust and support the delivery of the organisation's strategic objectives.

Responsible office: Director of Corporate Services

Updated: The 2021/22 budget was developed through Management engagement with the Scottish Government to shape operational plans that would contribute to the Government's National Outcomes, as set out in the National Performance Framework while aligning to the Corporate Plan. This provides greater certainty surrounding funding levels for the 2021/22 budget. The budget also outlines key assumptions around cost base, including staff costs as well as vacancy savings. The key assumptions are subject to review and scrutiny through the Finance and Delivery Committee prior to Board approval.

Follow up: CLOSED

4. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	9,050
Pooled costs	2,080
Contribution to Audit Scotland costs	460
Contribution to Performance Audit and Best Value	Nil
2020/21 Fee	**11,590**

Fees for other services

Service	Fees £
We confirm that for 2020/21 we did not receive any fees for non-audit services	Nil

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

5. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of CNPA's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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