

Cairngorm National Park Authority

INTERNAL AUDIT ANNUAL REPORT 2019 - 20

March 2020



CONTENTS

Executive Summary	3
Review of 2019 - 20 work	7
Annual statement of assurance	8
Performance against operational plan	9
Audit performance	10
Appendices:	
I Definitions	11

Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

EXECUTIVE SUMMARY

Background

Our role as internal auditor is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Our approach, as set out in BDO's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities

BDO LLP has been appointed as internal auditor to Cairngorm National Park Authority (**CNPA**) to provide the Board (via the Audit Committee), the Accountable Officer and other managers with assurance on the adequacy of the following arrangements:

- Risk Management;
- Corporate Governance; and
- Internal Control.

Responsibility for these arrangements remains fully with management, which should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at **CNPA** is also aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

Our risk evaluations and tests are designed to ensure that controls are sound both in design and effective in operation. Our conclusions are based on evidence obtained during the course of our audit work, verification tests and samples selected from the year's transactions to date. However, our conclusions should not be taken to mean that all transactions have been properly authorised and processed or that all elements of systems have been tested.

EXECUTIVE SUMMARY

Audit Approach

We have reviewed the control policies and procedures employed by **CNPA** to manage risks in business areas identified by management set out in the 2019-20 Annual Internal Audit Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation.

Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with **CNPA** management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine whether the risk management activities and controls are operating as expected.

The assurance statement provided on page 8 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Coverage

During 2019-20 BDO LLP has reviewed and evaluated Audit Scotland's processes in the following areas:

- | | |
|---|---|
| <ul style="list-style-type: none">• LEADER Administration• Payroll Administration• Risk Management• Expense Claims Process | <ul style="list-style-type: none">• Staff Objective Setting and Appraisal• Project Financing• FoISA |
|---|---|

EXECUTIVE SUMMARY

Recommendations

To assist management in addressing our findings, we categorise our recommendations according to their level or priority. The recommendations made in the seven completed reviews totalled 31.

Summary of Recommendations (SEE APPENDIX I)



Total number of recommendations: 31

Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management action on our recommendations

Management have been conscientious in reviewing and commenting on our reports, and have responded positively. The responses indicate that appropriate steps to implement our recommendations are being put in place.

EXECUTIVE SUMMARY

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to External Audit should they wish to review working papers in order to place reliance on the work of Internal Audit.

Follow up

During the year we undertook independent exercises to assess the progress made by **CNPA** in implementing internal audit recommendations made in previous years, and in the current year where applicable.

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented on a timely basis then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment. Within **CNPA** we found a strong level of commitment and effort in clearing as many outstanding recommendations as possible from previous audit reports.

We followed up 44 recommendations from the current and previous years. We noted that 8 of these recommendations had been fully implemented, 19 had been partially implemented, 9 recommendations were not yet implemented and 8 had not yet reached the agreed date for implementation of the agreed action.

On that basis we recognise that management and staff have invested time and effort in implementing the recommendations and we took assurance that management's resolve to implement previously agreed recommendations is sound.

Summary of work performed

Details of the seven internal audit reviews and the follow up review have been reported to the Audit Committee throughout the year and have been discussed at length with consideration and scrutiny of management responses and timescales proposed.

For the purpose of this annual report, we set out in the following pages our summary of recommendations and assessment of the design and effectiveness of the risk assurance for each of the audit areas reviewed.

REVIEW OF 2019-20 WORK

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
LEADER Administration	0	0	0	Substantial	Substantial
Payroll Administration	0	2	4	Moderate	Moderate
Risk Management	0	0	3	Substantial	Substantial
Expense Claims Process	0	2	5	Moderate	Moderate
Staff Objective Setting and Appraisal	0	1	3	Moderate	Moderate
Project Financing	0	2	3	Moderate	Moderate
FoISA	0	1	5	Moderate	Moderate

ANNUAL STATEMENT OF ASSURANCE

Report by BDO LLP to Audit Scotland

As the internal auditors of **CNPA** we are required to provide the Board, via the Audit Committee, and other management with a view on the adequacy and effectiveness of Audit Scotland's risk management, governance and internal control processes.

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides **CNPA** with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2019-20. Therefore, the statement of assurance is not a guarantee that all other aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no other signs of material weakness in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2019-20;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

Conclusion

In our view, based on the reviews undertaken during the period, and in the context of materiality:

- The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.
- Based on our verification reviews and sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review.

PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	May 2019	LEADER Administration	6	6	Complete
2	July 2019	Payroll Administration	6	6	Complete
3	August 2019	Risk Management	5	5	Complete
4	August 2019	Expense Claims Process	5	5	Complete
5	November 2019	Staff Objective Setting and Appraisal	5	5	Complete
6	December 2019	Project Financing	5	5	Complete
7	January 2020	FoISA	5	5	Complete
8	January 2020	Follow Up	3	3	Work ongoing
		Indirect Audit Activity - Audit Plan development	1	1	Complete
		Indirect Audit Activity - Client liaison	1	1	Complete
		Indirect Audit Activity - Audit Committee	1	1	Complete
		Indirect Audit Activity - Annual Reporting	1	1	Complete

AUDIT PERFORMANCE

AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	MANAGEMENT RESPONSES	FINAL REPORT
LEADER Administration	3/5/19	21/5/19	22/5/19	24/5/19
Payroll Administration	5/7/19	24/9/19	9/10/19	10/10/19
Risk Management	7/8/19	16/8/19	18/8/19	19/8/19
Expense Claims Process	19/8/19	30/8/19	9/10/19	10/10/19
Staff Objective Setting and Appraisal	15/11/19	27/11/19	16/1/19	17/1/19
Project Financing	12/12/19	16/12/19	22/1/20	23/1/20
FoISA	21/1/20	29/1/20	27/2/20	28/2/20
Follow Up	17/3/20	23/3/20	23/3/20	23/3/20

*date of debrief meeting

On average:

- All reports were issued in draft within 10 working days of completion of our fieldwork and a debrief meeting with management.
- Initial responses were received within 10 working days of the draft report being issued.
- Final reports were issued within 1 working day of final management responses being received.

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Reasonable 	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2020 BDO LLP. All rights reserved.

www.bdo.co.uk