

## CAIRNGORMS NATIONAL PARK AUTHORITY

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### FOR DECISION

**Title: AUDIT & RISK COMMITTEE ANNUAL REPORT**

**Prepared by: DAVID CAMERON, DIRECTOR OF CORPORATE SERVICES**

#### **Purpose**

To present the draft Audit & Risk Committee Report to the Board.

#### **Recommendation**

**The Audit & Risk Committee is requested to:**

- a) Consider the report and;**
- b) Agree any amendments to it prior to circulation to the Board.**

#### **Executive Summary**

The Audit & Risk Committee is required to report annually to the full Board on its activities over the year, and on the reports presented to the Committee by the Authority's internal and external auditors.

This Annual Report is presented on behalf of the Audit & Risk Committee to cover the period of its operations from April 2021 to August 2022. The extended period of this report reflects the new timetable which seeks to consolidate all committees' annual reports to the Board around August to September each year

## **Background**

1. The Audit & Risk Committee is required to report to the full Board on its activities over the year, and on the reports presented to the Committee by the Authority's internal and external auditors.
2. This Annual Report is presented on behalf of the Audit & Risk Committee to cover the period of its operations from April 2021 to August 2022. The extended period of this report reflects the new timetable which seeks to consolidate all committees' annual reports to the board around August to September each year.

## **Overview**

3. The period of this Annual Report covers consideration of final accounts for 2020/21 (at the Committee's meeting of September 2021), together with associated reports from Grant Thornton, the Authority's external auditors.
4. The Committee has also continued to have oversight of the work of the Authority's internal auditors and consider reports issued by them.
5. The Committee has been supported over the duration of this reporting period by Azets in the provision of internal audit services.
6. The terms of reference of the Committee were broadly unchanged in the restructure of the Cairngorms NPA board's committees agreed in June 2021. The Committee met five times over the period covered by this report.

## **Key Activities**

7. In addition to management reports from the Authority's Internal and External Auditors, considered in further detail below, the Committee considered the following issues during the course of the year:
  - a) Risk management: the Audit & Risk Committee has continued to take a strategic oversight of the Authority's risk management strategy and regularly considered the strategic risk register. The Committee has considered the appropriateness of coverage of the strategic risk register supporting delivery of the Corporate Plan for 2018/2022 and transitional plan for 2022/23 throughout the period, and scrutinised adequacy of mitigation action, in periods between full Board considerations of risk management.
  - b) Business Continuity Plan (BCP) Deployment, Adaptation and Risk Management: the Committee has continued to take oversight of managements deployment of the Authority's BCP and has undertaken regular reviews of the BCP Risk Register to ensure appropriate mitigation of risks in BCP deployment had been designed and implemented, and that positive effects of risk management have been realised as intended. This process was signed off as no longer meriting strategic oversight by the Committee as the organisation began the move from BCP deployment into hybrid working.

- c) Detailed Risk Analysis: the Committee has continued the practice in the year of considering more in depth analysis of key risks from senior management. This practice provides an opportunity to explore key or increasing strategic risks in more detail and evaluate the adequacy of mitigation actions. The Committee has considered detailed analysis of the risks associated with the Heritage Horizons programme as it moves through its Development Phase.
- d) LEADER: the Authority, as lead body for the management and administration of EU LEADER funding within Cairngorms, has a responsibility to arrange for appropriate internal audit of its LEADER activities under the terms of the service level agreement with the Scottish Government. The Committee has considered internal audit reports on the LEADER programme. The Committee can provide assurance on the effective administration of the LEADER grants from these internal audit reports, and of the management of the Authority's potential financial liabilities arising from our Accountable Body role from scrutiny of reporting on strategic risk management.
- e) Accounting Policy and Estimates: the Committee reviews and agrees accounting policies and considers any significant estimates required in the finalisation of the annual accounts as part of its consideration of final accounts prior to their signature by the Accountable Officer. There were no significant variations to accounting policy required in the year, nor were any estimates causes of concern.
- f) Governance Statement: review and approval of this statement, prior to its inclusion in the annual accounts and prior to signature by the Accountable Officer.
- g) Governance considerations: the Committee has considered the development of the Park Authority's Governance Responsibility Framework and feedback on the board's election process.
- h) Best Value and Governance: the Committee considered the review of the terms of reference of all board Committees following the review of committee structure in 2021, and its fit within that new structure in order to ensure effective service delivery within the context of the work of the wider governance arrangements.
- i) Updates on progress in implementing previous audit recommendations: the Committee has now implemented a twice yearly audit review of action taken on previous audit recommendations, supplemented from time to time by management reports.
- j) Consideration and agreement of forward audit activity plans: the Committee, has agreed a forward plan of internal audit activity and has monitored progress in successful delivery of the internal audit plan for 2021/22 with a plan for 2022/23 agreed and currently under delivery.
- k) Letter of representation: the Committee considered the draft letter of representation from the Authority to Grant Thornton, the external auditor, prior to its signature by the Accountable Officer as an appropriate reflection of

the Authority’s position for preparation of the accounts for 2019/20 and conduct of the Authority’s financial and wider control procedures over the course of the year.

- l) Freedom of Information (Scotland) Act (FOISA) and Data Subject Access Requests (DSAR): the Committee has provided oversight of the Authority’s management and handling of information requests made under FOISA and DSAR regulations, including the outcome of a small number of referrals made by applicant to the Scottish Information Commissioner. With both an assurance and Best Value focus, the Committee’s oversight of these matters has provided confirmation on behalf of the Board of the adequacy and efficacy of arrangements implemented by management to handle information requests and continually learn from experience and outcomes of processes.

**Internal Audit**

- 8. The Committee agree an annual internal audit work programme presented by the internal auditor.
- 9. Over the course of the period of this report, Azets have presented eight management reports to the Committee. Their findings and consequent recommendations for action are graded according to the internal auditors’ assessment of the significance of the underlying weakness to the effective management of the organisation.
- 10. Table One presents a summary of the number and degree of significance of internal audit findings over the period of this report and compares this with historic levels. The definitions used for significance of internal audit recommendations have changed slightly with the change in internal audit provider from KPMG to BDO. These definitions are given after the table. The areas audited are also classified in terms of overall effectiveness of the internal audit control systems reviews and these classifications are also explained below the table.

**Table One: Summary of Internal Audit Findings**

Internal Audit Study	Number of Recommendations			
	Critical	High	Moderate	Low
2011/12 Total (7 studies)	0	3	14	9
2012/13 Total (4 studies)	0	0	0	10
2013/14 Total (7 studies)	0	1	9	11
2014/15 Total (4 studies)	0	0	5	13
2015/16 Total (9 studies)	0	0	9	10
2016/17 Total (8 studies)	n/a	0	11	11
2017/18 Total (3 studies)	n/a	0	3	7
2018/19 Total (9 studies)	n/a	1	6	10
2019/21 Total (9 studies)	0	5	16	21
2021/22 Total (5 studies)	0	4	10	2

**CAIRNGORMS NATIONAL PARK AUTHORITY**  
**Audit & Risk Committee Paper 7 Annex I 30/09/22**

The 2021/22 studies were:				
	Very High	High	Moderate	Limited
LEADER Administration (Oct 21)	0	0	2	2
Financial Management Reporting (Feb 22)	0	0	3	0
Major Project Assurance (Feb 22)	0	0	2	0
ICT Strategy (May 22)	0	2	2	0
Cyber Security (May 22)	0	2	1	0
Total for period	0	4	10	2

Key -

Azets definition of grades for management action recommendations:

- a) **Very High Risk Exposure:** major concerns requiring immediate senior attention that create fundamental risks within the organisation
- b) **High Risk Exposure:** absence / failure of key controls that create significant risks within the organisation
- c) **Moderate Risk Exposure:** controls are not working effectively and efficiently and may create moderate risks within the organisation
- d) **Limited Risk Exposure:** controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

11. The Committee welcomes the fact that once again there have been no highest grade recommendations raised by internal audit over the course of the period covered by this report. The Committee has noted a number of high risk exposure recommendations in the more recent reports and will monitor resolution of these matters within agreed timetables..
12. In line with the Authority's values of transparency, the Committee is made aware of all recommendations made by the internal auditors, through consideration of full management reports following each audit review.
13. The Committee has agreed management responses to all recommendations made and continues to monitor progress made. The internal auditors have also conducted follow-up reports and report back to the Committee on their findings.
14. The Committee has considered the Internal Auditors' Annual Report for 2021/22. The internal auditor's annual report for the year gives the following overall opinion: "In our opinion CNPA has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives".

## External Audit

15. The Authority's accounts for 2020/21 received a clear, unqualified external auditor's report and opinion from Grant Thornton, our external auditors.

16. The accounts and external auditor's report for 2019/20 were considered and approved by the Committee at its meeting on 10 September 2021. The accounts were signed by the Chief Executive as Accountable Officer and passed to Audit Scotland for signature and onward submission to Auditor General and Scottish Parliament.
17. The Audit & Risk Committee considered Grant Thornton's draft report to those charged with governance on the audit of the 2020/21 accounts at its meeting of 10 September 2020. The report highlighted only one action point, referencing the requirement to ensure appropriate processes and resources were put in place to administer and claim the sizeable National Lottery Fund Heritage Horizons grant. This action was accepted by management and the Committee and was an action which management were already progressing.
18. The external audit report noted that the single action point noted in the prior year had been fully closed.
19. The external audit report noted that complete draft financial statements, including the Performance Report, Accountability Report and Governance Statement within the agreed timescales.

### **Strategic Risk Management**

20. The Authority's strategic risk register has continued to be reviewed and revised as necessary throughout this reporting period by the Committee and full Board, ensuring it reflects the delivery priorities and strategic environment of the Authority in its delivery of our new Corporate Plan for 2018 to 2022 and transitional plan for 2022/23. The Board reviews the strategic risk register twice each year, while considering wider corporate performance reports. The Audit & Risk Committee will continue to review the coverage and adequacy of the strategic risk register in those quarters where it is not presented to the full Board.

### **Conclusions**

21. The Audit & Risk Committee considers that it has been successful in progressing the Board's governance and internal control priorities during the period covered by this annual report.
22. The Committee welcomes the work of the Authority's finance team in once again maintaining a high quality and professional financial accounting service within agreed audit timescales despite the varied pressures of remote working and other BCP and COVID19 impacts. The Committee also greatly appreciates the work of the internal and external auditors in adapting their working practices to deal with the impacts of COVID19 over the last year.
23. The Committee has engaged through the year with issues identified by the Authority's internal and external auditors, and also by the Authority's officers. The Committee has received full reports on issues raised; considered recommendations made; and approved responses and actions. The Committee has shaped and approved the overall audit plan and guided the direction and approach of the internal auditors and

their programme of work. The Committee has also monitored delivery against approved action plans.

24. Both the internal and external auditors' findings provide assurance to the Committee and Board that the Authority's internal control and governance objectives are being met effectively by management.
25. It is also reassuring for Committee members to see once again that audit recommendations have typically been of a low or moderate risk level. It is accepted that there will always be a range of improvements that can be made to services and controls; that these controls must continue to adapt to changing operating and strategic environments; and as such a number of recommendations for improvement from internal audit will always be expected. The Committee warmly welcomes the evidence of generally effective control systems evidenced by the reports and very low level of improvement recommendations arising from audits over the year.
26. The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.
27. The Committee will also seek to continue to have oversight of the Authority's approach to and handling of risk management, and of wider aspects of corporate governance such as the approach to Best Value and value for money. In particular, members will seek to ensure that lessons are learned from operational experience and that wherever possible reviews of working practices and learning from them lead to improvements in our systems.

**David Cameron, for Audit & Risk Committee members:**  
**23 September 2022**  
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