

# Loch Lomond and The Trossachs National Park Authority

**Report on the 2005/06 Audit**



# Contents

<b>Executive Summary</b>	<b>1</b>	<b>Governance</b>	<b>9</b>
<b>Introduction</b>	<b>2</b>	<b>Looking Forward</b>	<b>11</b>
<b>Financial Statements</b>	<b>3</b>	<b>Appendix A: Action Plan</b>	<b>13</b>
<b>Performance Management</b>	<b>7</b>		



# Executive Summary

## Introduction

In 2005/06 we audited the financial statements of the Loch Lomond and The Trossachs National Park Authority and we looked at aspects of performance management and governance. This report sets out our key findings.

## Financial Position

We have given an unqualified opinion on the financial statements of the Authority for 2005/06.

The Authority's gross operating expenditure for the year was £7.41 million [2004/05: £6.96 million]. The Authority finished the year with a surplus of £90,778 which when added to the accumulated deficit brought forward from the previous year of £37,931 gives a surplus carried forward of £52,847.

## Performance Management

The major priority for the Authority during 2005/06 was the preparation of the National Park Plan. After a period of consultation and revision, it is intended that the final version of the National Park Plan will be submitted to Scottish Ministers for approval in autumn 2006. A major challenge for the Authority in 2006/07 will be the delivery of the Plan.

It is anticipated that performance measures reflecting the strategic priorities emerging from the National Park Plan will be developed during 2006/07.

## Governance

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of an organisation. During the audit, systems of control relating to risk management, financial procedures and systems and fraud and corruption arrangements were reviewed, and our assessment of corporate governance arrangements updated.

The Authority is currently reviewing its corporate governance arrangements with regard to the role of members in delivering the National Park Plan, and structural arrangements to support the priorities in the National Park Plan.

**Audit Scotland  
October 2006**



# Introduction

1. This report summarises the findings from our 2005/06 audit of the Loch Lomond and The Trossachs National Park Authority (the NPA). The scope of the audit was set out in our Audit Plan, which was agreed with the Authority in March 2006. This plan described the work we planned to carry out on financial statements, performance and governance.
2. Appendix A of this report sets out the key risks highlighted in this report and the action planned by management to address them.
3. This is the final year of our current audit appointment, and we would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Authority during the course of our audit. This report will be submitted to the Auditor General for Scotland and will be published on our website, [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) .



# Financial Statements

## Our Responsibilities

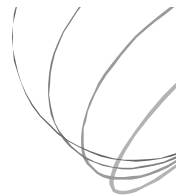
4. We audit the financial statements and give an opinion on whether:
  - they give a true and fair view of the state of affairs of the Authority for the year;
  - the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers; and
  - they have been prepared properly in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made by the Scottish Ministers.
5. We also review the Statement on Internal Control by:
  - considering the adequacy of the process put in place by the Chief Executive as Accountable Officer to obtain assurances on systems of internal control; and
  - assessing whether disclosures in the Statement are consistent with our knowledge of the Authority.

## Overall Conclusion

6. We have given an unqualified opinion on the financial statements of the Loch Lomond and the Trossachs National Park Authority for 2005/06.
7. Following discussion between officials of the NPA and external audit, a timetable was agreed for the provision of the accounts for audit. Accordingly audit work was scheduled to achieve a certification date that would permit the laying of the accounts before the Scottish Parliament by 31 December 2006. These targets have been achieved.
8. The financial statements were reviewed by the Audit Committee on 22 August 2006, and subsequently signed by the Chief Executive on 18 September 2006.

## Financial Performance

9. The Authority received grant-in-aid for 2005/06 of £5.78 million [2004/05: £5.67 million]. Within this the Authority received specific additional grant-in-aid of £381,600 during the year to fund works to the Rowardennan public toilets and to the Rob Roy centre in Callander. In addition this provided assistance for delivering the Loch Lomond bylaw review and related enforcement activity. The



Authority finished the year with a surplus of £90,778 which when added to the accumulated deficit brought forward from the previous year of £37,931 gives a surplus carried forward of £52,847.

## The Issues Arising from the Audit

10. We reported the following issues to the Audit Committee on 22 August 2006:

### *New Government Financial Reporting Manual*

11. For 2005/06 NDPBs were to comply with the new Government Financial Reporting Manual (FReM), which has more disclosure requirements than in previous years. Additional information now disclosed includes describing principal risks and uncertainties facing the organisation and information on environmental matters. The Authority has followed the FReM in relation to disclosure requirements. However, as this is the first year of compliance with the new FReM there will be ways to improve reporting the activities of the Authority for 2006/07 onwards. The Chief Executive and Director of Corporate Services confirmed they will review the requirements and consider ways to improve reporting the activities of the Authority in their Annual Report and Accounts.

### **Action Plan Point 1**

#### *Pension disclosure:*

12. The Accounts Direction states that the accounts prepared in respect of the National Park should follow the requirements of FReM. FReM requires that various pension disclosures (para 7.2.25) are made for senior management which are to be included within the new remuneration report, and the Authority currently classifies the Chief Executive and board members as its senior management. The Authority experienced some difficulties in obtaining the information required for the pension disclosures from the Strathclyde Pension Fund, although the information was eventually available for the Audit Committee to review the accounts. The Director of Corporate Services confirmed that Strathclyde Pension Fund will be consulted on how they can best provide this information in future years.

### **Action Plan Point 2**

#### *Disclosure of senior management details:*

13. FReM, at para 7.2.23, provides information of who should be included within the remuneration report and states this is *“interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the entity. This means those who influence the decisions of the entity as a whole rather than the decisions of individual directorates or sections within the entity. Such persons will include advisory and non-executive Board members”*. The Authority includes the Chief Executive and board members within its interpretation of this disclosure but does not include corporate directors such as the director of planning and director of corporate services, etc. It is for



each public body to determine which individuals are included within the remuneration report disclosure and the Authority has agreed to keep under review the disclosures it makes in consultation with its sponsor department.

### **Action Plan Point 3**

#### *Overstatement of Debtors and Creditors*

14. Included within debtors is an outstanding grant claim of £50,000, in relation to monies from Transport Scotland for a grant relating to the completion of the West Loch Lomond Cycle Path. £50,000 has also been included in Creditors as income paid to the Authority in advance in recognition that the expenditure on the cycle path was not incurred until after April 2006. From discussions with officers it is our understanding that Transport Scotland requested that the grant be claimed prior to the year-end. In substance, neither the debtor nor the creditor relates to the year ended 31 March 2006 and consequently both have been overstated by £50,000. The accounts were not adjusted, in recognition that there is a nil effect on net assets.

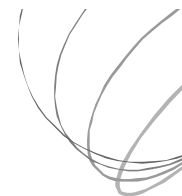
#### *Income in advance*

15. There is a £340,000 creditor for income received in advance included in the accounts. This has been increasing over the past two years from £79,000 in 2003/04 to £235,000 in 2004/05. The balance as at 31 March 2006 includes £100,000 received from the Scottish Executive for work at Callander. We noted that this income was additional grant-in-aid provided in July 2005 but due to slippage on the project the income was carried over into 2005/06. The Scottish Public Finance Manual states that once the grant-in-aid has been paid over to the sponsored body any unspent balances it holds are not liable to be surrendered to the sponsor Department at the end of the financial year, so the Authority is correct to carry forward the income. The level of income paid in advance will be reviewed in 2006/07.

### **Action Plan Point 4**

#### *Contingent liabilities:*

16. Note 25 discloses a contingent liability relating to an unresolved VAT issue with West Dunbartonshire Council. Discussions were held with officers who confirmed there was no change to the position from 2004/05. It was agreed that contingent liability was the most appropriate disclosure.



## Statement on Internal Control

17. As part of our responsibilities we are also required to review whether the statement on internal control prepared by the accountable officer reflects the Authority's compliance with Scottish Executive guidance. We are required to report if it does not meet the requirements specified or if the statement is misleading or inconsistent with other information of which we are aware from the audit of the financial statements.
  
18. The Statement on Internal Control included in the accounts presented for audit did not meet the requirements of the guidance set out in the Scottish Public Finance Manual. However, the statement was subsequently revised for inclusion in the final account now conforms with the guidance.





# Performance Management

## Introduction

19. This section covers our assessment of the way in which the Authority secures best value in the use of its resources. This year we followed up on two main areas:
- development of performance measures; and
  - Best Value.

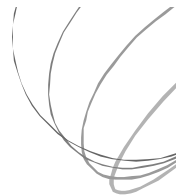
## Performance Measures

20. A major priority of the Authority during 2005/2006 was the preparation of the National Park Plan which sets out the mission/vision statement for the park and identified what outcomes it aims to achieve. It is anticipated that the National Park Plan will be submitted to Scottish Ministers for approval in autumn 2006.
21. In 2003/04 and 2004/05 we reported the development of performance measures should be progressed to ensure that the strategic priorities emerging from the National Park Plan are translated into future corporate plans. Performance measures have not developed as intended in 2005/06 due to the focus on finalising the National Park Plan. The Plan will be the driver for setting performance indicators against which continuous improvement can be measured, and the Authority is now considering developing a framework for assessing performance under the Plan and supporting continuous improvement.

### Action Plan Point 5

## Best Value

22. Since April 2002 there has been a duty of Best Value on Accountable Officers to *'ensure arrangements are in place to secure Best Value'*. High level guidance was issued in May 2003, followed by more detailed draft secondary guidance in August 2003. This duty can be described as:
- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost);
  - to have regard to economy, efficiency and effectiveness, and the equal opportunity requirements; and
  - to contribute to the achievement of sustainable development.



23. In May 2005, Ministers decided that they would not bring forward legislation which extends Best Value in the wider public sector. However, Ministers do wish to encourage and embed the principles of Best Value across the wider public sector, and revised guidance was issued in May 2006.
24. In February 2006, the Directors of the Authority undertook a review of the direction of the organisation in light of the draft National Park Plan. The key objective of this review was to develop thinking on prioritisation both for the National Park Plan and the Authority and to develop key outcomes and clear recommendations on the future mission, vision and values for the Authority. As part of this review, the authority identified continuous improvement as a key value for the Authority.
25. Whilst the Authority demonstrates aspects of best value characteristics e.g. joint working, contribution to sustainable development and consultation, it is not yet in a position to fully demonstrate it is making arrangements to secure continuous improvement.

**Action Plan Point 6**



# Governance

## Introduction

26. This section sets out our main findings arising from our review of your corporate governance as it relates to:
- the systems of internal control; and
  - review of internal audit

## System of internal control

### *Limits of Delegated Authority*

27. The Authority has in place a scheme of delegated authority, this is supported by forms detailing the limits of authority for each authorised signatory and their specimen signature. Our sample testing identified one invoice which was approved for payment for an amount exceeding the officers limit of delegated authority. In addition, no delegated authority form has been completed by the Chief Executive. The absence of an appropriate authorised signatory list means that there is no control check available to staff processing expenditure.

### **Action Plan Point 7**

### *Financial systems*

28. The Authority introduced a new in-house payroll system in March 2005, prior to this payroll services were provided by West Dunbartonshire Council. A six month period of pre-implementation testing of output from the new payroll system was compared to the output from the West Dunbartonshire system and a parallel run was undertaken from the final pay-run in March. The testing period allowed the Authority to investigate and resolve any problems with the new system and the first live in-house pay-run was processed by the Authority on 16 April 2006.
29. Comprehensive checking of each pay-run is undertaken by staff along with other checks, this involves comparison of the current month net pay details with that of the previous month, and investigating differences. Although this check should highlight any errors it is labour intensive and may not be an efficient use of staff time. It is understood that the exception reports generated by the system do not provide an adequate check. However, an alternative form of exception reporting and checking would be a more efficient use of staff time. The Authority should consider other options for exception reporting and output controls over pay.

### **Action Plan Point 8**



## Review of Internal Audit

30. The Authority recognises internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. Internal audit services are provided by Scott-Moncrieff.
31. The Authority's internal auditors provided the opinion, in their report of August 2006, that the Authority has established a framework of control which provides reasonable assurance regarding the effective and efficient achievement of the Park Authority's objectives.
32. We placed reliance on two elements of internal audit work for our wider Code responsibilities this year. The reviews we placed reliance on were:
  - National Park Authority Headquarters; and
  - National Park Plan.

## Fraud and corruption arrangements

33. No frauds were identified by the Authority in 2005/06.



# Looking Forward

34. Loch Lomond and The Trossachs National Park Authority faces challenges in 2006/7 which include:
- delivery of the National Park Plan and development of a process to secure continuous improvement;
  - progressing the development of the Authority's permanent headquarters; and
  - managing the organisational review and improvement process.

## *National Park Plan*

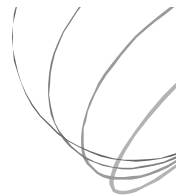
35. The National Park Plan will be submitted to Scottish Ministers during 2006/07. The plan is a strategic document which sets out how the park will be managed to deliver its statutory aims. Delivery of the plan is dependent on the Authority determining its medium and short term priorities and objectives. Monitoring of the delivery of the plan will require the Authority to set measurable targets and performance indicators which ensure that the objectives are met and that continuous improvement can be demonstrated. In 2006/07 we will consider how the Authority is developing its performance management framework.

## *National Park Headquarters*

36. The development of the Authority's headquarters is a major project, with occupation of the new premises planned for September 2007. The project is subject to the Scottish Executive's Gateway Review Programme, with reviews already undertaken in March 2006 and July 2006. Procurement of a contract under a design and build contract was progressed through the European journal. The sponsoring department have confirmed that the project will be funded in addition to the Authority's core settlement for the three years to 2007/08. We will monitor progress as part of our audit work for 2006/07.

## *Organisational Review*

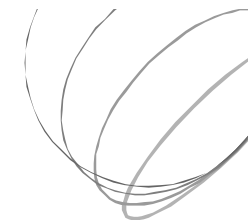
37. Following completion of the National Park Plan, the Directors of the Authority undertook a review of the direction of the organisation and how it could best organise itself to deliver the plan efficiently and effectively. The key objective of this review was to develop thinking on prioritisation both for the National Park Plan and the Authority. The Authority has identified that the priorities for the immediate future are to:
- identify what other partner organisations could and should do to deliver the National Park Plan;
  - review organisational staffing structure including aligning the skills base with outcomes and priority actions;



- review the members roles in delivering the National Park Plan; and
- review the Board and Committee structure to reflect the priorities of the National Park Plan.

38. This major change programme presents the Authority with uncertainties and risks which need to be managed effectively to ensure that objectives are achieved. We will review progress in this area in 2006/07.

# Appendix A: Action Plan



## Key Risk Issues and Planned Management Action

Action Point	Refer Para. No	Issue Identified	Planned Action	Responsible Officer	Target Date
1	11.	Improvements in disclosures in the annual accounts requires comprehensive annual review of the FReM.	Requirements of guidance to be reviewed during 2006-07 to ensure that reporting can be improved for the 2006-07 annual report.	Jim Howson	31 March 2007
2	12.	The accounts for 2006-07 could be delayed or not disclose the required information in relation to pension disclosures for senior management.	Consult with the Strathclyde Pension Fund regarding the disclosure requirements and the timing for receipt of information to be included in the remuneration report for 2006-07.	Jim Howson	31 January 2007
3	13.	Disclosure of remuneration for senior management may not meet the requirements of the FReM.	The disclosure of senior management remuneration should be reviewed annually to ensure that the disclosures are relevant and meet the requirements of the FReM.	Jim Howson	31 March 2007
4	15.	Slippage on projects could result in excessive prepaid income balances being held which could have an effect of the level of Grant-in-aid payments received.	Monitor the level of income paid in advance throughout 2006/07.	Bill Dalrymple	31 December 2006
5	21.	There is a risk that the authority is not able to demonstrate or be clearly accountable for its performance.	Development of a performance management framework and appropriate performance measures should be progressed to ensure that the strategic priorities emerging from the National Park Plan are translated into future corporate plans.	Bill Dalrymple	31 March 2007

Action Point	Refer Para. No	Issue Identified	Planned Action	Responsible Officer	Target Date
6	25.	The Authority is not able to demonstrate it has made appropriate arrangements to secure continuous improvement.	Arrangements to secure Best Value should be developed within the Authority.	Bill Dalrymple	31 March 2007
7	27.	Expenditure may be processed without proper authority.	The delegation limits should be reviewed and updated as appropriate. All delegated officers should be required to complete a delegated authority form included a specimen signature.	Jim Howson	31 January 2007
8	29.	Comprehensive payroll checking undertaken by senior officers could be an inefficient use of resources.	Consideration should be given to the format and parameters required for checking and progress the design of exception reports check only exceptional items.	Jim Howson	31 January 2007

