

Cairngorms National Park Authority

Report on the 2006/07 Audit



November 2007



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Executive summary

Introduction

In 2006/07 we audited the financial statements of the Cairngorms National Park Authority (the 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 2006/07.

For 2006/07 the accounting treatment of grant-in-aid changed in accordance with the Financial Reporting Manual (FReM). This resulted in the grant-in-aid received from the Scottish Government being accounted for through reserves rather than the Income and Expenditure Account.

As a result of these changes the Income and Expenditure Account shows an excess of expenditure over income of £4.416 million (2005/06: £4.179 million). This expenditure was funded by grant-in-aid of £4.446 million received from the Scottish Government (2005/06: £4.188 million). Therefore, the Authority finished the year with a surplus of £30,206 (2005/06: £8,993).

Performance

After a period of consultation the finalised National Park Plan received Ministerial approval on 15 March 2007. The Plan's strategic objectives and associated priorities for action are set out, providing a focus and direction for efforts in the immediate future. The priorities for action are linked to the three strategic objectives within the Plan – conserving and enhancing the park; living and working in the park; and enjoying and understanding the park. This is an area we will continue to monitor progress on, including development of performance indicators to measure delivery of the Plan objectives.

Governance

Corporate Governance is concerned with the structures and process for decision making, accountability, control and behaviour at the upper levels of an organisation. Overall the corporate governance and control arrangements for the Authority operated satisfactorily during the year, as reflected in the Statement on Internal Control.

Looking forward

The Authority faces a number of challenges in the coming year and we will focus on some of these areas as part of our 2007/08 audit. For example the single environment and rural service which follows on from the Scottish Government's *On the Ground* initiative, aims to develop a single service to shared customers



which will provide a simpler, more efficient integrated service from public bodies within the rural and environment areas. This may have a significant impact on the way the Authority operates and we will monitor developments in this area in 2007/08.

We will monitor the implementation of the National Park Plan and consider how progress is being made in developing performance targets as part of the implementation. We will also review the progress that the Authority has made in strengthening their arrangements for securing Best Value since our baseline review work in 2005/06.

Audit Scotland
November 2007



Introduction

1. This report summarises the findings from our 2006/07 audit of the Authority. The scope of the audit was set out in our Audit Plan, which was presented to the Audit Committee on 23 March 2007. 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 first year of a five year audit appointment. 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.



Financial statements

4. In this section we summarise key outcomes from our audit of the Authority's financial statements for 2006/07, and comment on the key financial management and accounting issues faced.

Our responsibilities

5. We audit the financial statements and give an opinion on whether:
 - they give a true and fair view of the financial position of the Authority and its expenditure and income for the period in question
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the regularity of the expenditure and receipts.
6. 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
 - assessing whether disclosures in the statement are consistent with our knowledge of the Authority.

Overall conclusion

7. We have given an unqualified opinion on the financial statements of Cairngorms National Park Authority for 2006/07.

Financial position

2006/07 Outturn

8. For 2006/07 the accounting treatment of grant-in-aid changed in accordance with the Financial Reporting Manual (FRoM). This resulted in the grant-in-aid received from the Scottish Executive being accounted for through the Reserves rather than the Income and Expenditure Account.
9. As a result of these changes the Income and Expenditure Account shows an excess of expenditure over income of £4.416million (2005/06: £4.179million). This expenditure was funded by grant-in-aid of £4.446 million received from the Scottish Executive (2005/06: £4.188 million).
10. The Authority's Net Asset position increased to £332,543 (2005/06: £295,111).



2007/08 Budget

11. Scottish Ministers have set an initial resource budget for Cairngorms National Park Authority of £4.633 million for 2007/8. This comprises:
 - an initial £4.546 million cash (grant-in-aid) including £0.033 million for capital spend
 - £87,000 to cover non-cash costs.
12. It will be challenging for the Authority to deliver its objectives within this tight financial budget. The Authority's delivery of efficiencies to meet spending commitments is an area we will focus on as part of our 2007/08 audit.

Issues arising from the audit

13. We reported to the Audit Committee on 24 August 2007 that there were no significant issues identified during the audit. As part of the normal audit process, a small number of amendments were identified, and these were reflected in the revised accounts presented for approval.

Statement on internal control

14. The Statement on Internal Control provided by the Authority's Accountable Officer reflected the main findings from both external and internal audit work. This recorded management's responsibility for maintaining a sound system of internal control and for ensuring that the strategic risk management processes are in place.

Regularity assertion

15. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts was incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.



Governance

Overview of arrangements

16. This section sets out our main findings arising from our review of the Authority's governance arrangements. This year we reviewed:
- key systems of internal control
 - internal audit.
17. We also discharged our responsibilities as they relate to prevention and detection of fraud and irregularity; standards of conduct; and the organisation's financial position (see paragraphs 8-11). Our overall conclusion is that arrangements within the Authority are sound and have operated throughout 2006/07.

Systems of internal control

18. Key controls within systems should operate effectively and efficiently to accurately record financial transactions and prevent and detect fraud or error. This supports a robust internal control environment and the effective production of financial statements. In the annual report for 2006/07 the internal auditor provided his opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness on the systems of internal control.
19. As part of our audit we reviewed the high level controls in a number of the Authority's systems that impact on the financial statements. Our overall conclusion was that key controls were operating effectively.

Internal audit

20. The establishment and operation of an effective internal audit function forms a key element of effective governance and stewardship. We therefore seek to rely on the work of internal audit wherever possible and as part of our risk assessment and planning process for the 2006/07 audit we assessed whether we could place reliance on the work of the Authority's internal auditors. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on a number of internal audit reviews.



Performance

21. Public audit is more wide-ranging than in the private sector and covers the examination of, and reporting on, performance and value for money issues. As part of our audit we are required to plan reviews of aspects of the arrangements to manage performance, as they relate to economy, efficiency and effectiveness in the use of resources.
22. Accountable officers also have a duty to ensure the resources of their organisation are used economically, efficiently and effectively. These arrangements were extended in April 2002 to include a duty to ensure 'best value' in the use of resources.

Performance

23. After a period of consultation the finalised National Park Plan received Ministerial approval on 15 March 2007. The Plan's strategic objectives and associated priorities for action are set out, providing a focus and direction for efforts in the immediate future. The priorities for action are linked to the three strategic objectives within the Plan – conserving and enhancing the park; living and working in the park; and enjoying and understanding the park. The seven priorities for action are:
 - conserving and enhancing biodiversity
 - integrating public support for land management
 - supporting sustainable deer management
 - providing high quality opportunities for outdoor access
 - making tourism and business more sustainable
 - making housing more affordable and sustainable
 - raising awareness and understanding of the park.
24. The Authority has a particular role to join up the work of public bodies, who have a statutory duty to have regard to the Plan in exercising their functions as far as they affect the National park. Clearly the Authority is the main focus for delivering a large part of the Plan but recognises that success will depend on the role and contribution of partners, not only the public sector but also private, community and voluntary sectors.

Looking forward

25. The Authority faces a number of challenges in 2007/08, which include:

- **Single environment and rural service** – Following on from the Scottish Executive's On the Ground initiative, Ministers are seeking to simplify the delivery of many of the services that are currently being performed by nine key rural and environmental organisations, including the National Parks. The aim is to develop a single service to shared customers which will provide a simpler, more efficient integrated service from public bodies within the rural and environment areas. This may have a significant impact on the way the Authority operates.
- **Implementation of the National Park Plan** – Successful implementation of the National Park Plan represents a significant challenge for the Authority. It will be important for the Authority to ensure that appropriate mechanisms are in place to ensure effective and co-ordinated delivery of the Plan objectives. As part of our work for 2007/08 we will consider progress made.
- **Best Value** – As part of the 2007/08 audit we will be reviewing the progress that the Authority has made in strengthening their arrangements for securing Best Value since our baseline review work in 2005/06. Over the next year we will also be developing and refining our approach to the audit of public bodies' arrangements to secure economy, efficiency and effectiveness in the use of resources, as this is one of our key objectives as auditors, set out within the new Code of Audit Practice approved by the Auditor General. This will inform our ongoing work to develop an approach to the audit of Best Value across the Scottish public sector. We intend to consult with both clients and stakeholders at key stages of these initiatives.
- **Shared services** – The Scottish Executive has issued a consultation on a National Strategy for Shared Services which aims to create efficiency savings and improve service by freeing resources for investment in front line services. Shared Services is a key element of the wider Public Sector reform agenda and represents a key part of the Efficient Government Initiative.
- **Efficient Government** - The achievement of future Efficient Government targets represents a challenge for the organisation and its partner organisations.