

Loch Lomond and the Trossachs National Park Authority

Report on the 2007/08 Audit



November 2008



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Executive Summary

Introduction

In 2007/08 we looked at the key strategic and financial risks being faced by Loch Lomond and the Trossachs National Park Authority. We audited the financial statements and we also reviewed aspects of performance management and governance. This report sets out our key findings.

Financial Position

The Park Authority met its key financial target to stay within its resource budget this year. The organisation had a total resource budget of £7.510 million for 2007/08. The outturn for 2007/08 was an underspend of £0.245 million, or 3.3% of the overall resource budget.

Scottish Ministers have agreed a Grant-in-Aid resource budget for the Park Authority of £8.029 million for 2008/09. Funding for 2009/10 and 2010/11 has been set at £7.9 million and £8.1 million respectively. The Park Authority has identified a shortfall in available financial resources as a consequence of the reduced operational element of Grant-in-Aid. We will monitor how this will impact on the affordability of its aspirations set out in the corporate plan.

Financial Statements

We have given an unqualified opinion on the financial statements of the Park Authority for 2007/08.

We have also concluded that in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with applicable enactments and relevant guidance, issued by Scottish Ministers.

Performance

The Park Authority developed a business plan for 2007/08 that is more closely aligned with the National Park Plan and has reported good progress against each of the programmes in 2007/08. It has also refocused its activities for the next three years in the Corporate Plan 2008-2011. Delivering these refocused activities will involve restructuring the organisation and the teams within it, along with the arrangements for reviewing and reporting performance at both management and Board level. We will monitor the Park Authority's progress in this area during our 2008/09 audit.

Best Value

The Park Authority has not undertaken a detailed review against the Best Value criteria during the year. However, a number of actions detailed in the corporate plan will be used to help demonstrate the Park Authority's progress in developing and implementing Best Value over the period of the plan. We will monitor progress in this area during 2008/09.



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 Park Authority operated satisfactorily during the year, as reflected in the Statement on Internal Control.

We examined the key financial systems which underpin the organisation's control environment. We concluded that financial systems and procedures operated sufficiently well to enable us to place reliance on them.

Looking forward

The final part of our report notes some key risk areas for the Park Authority going forward. We have highlighted a number of national issues which affect all public sector bodies such as the Park Authority, including the introduction of Scotland Performs; the impact of international financial reporting requirements; and the review of data handling arrangements in public bodies across Scotland. The Park Authority also faces challenges in successfully delivering its refocused activities against a background of organisational restructuring and tighter financial restrictions within the resource budget for 2008/09 and beyond.

The assistance and co-operation given to us by Board members and staff during our audit is gratefully acknowledged.

Audit Scotland
November 2008



Introduction

1. This report summarises the findings from our 2007/08 audit of Loch Lomond and the Trossachs National Park Authority. The scope of the audit was set out in our Audit Plan, which was agreed with management in March 2008. This plan set out our views on the key business risks facing the organisation and described the work we planned to carry out on financial statements, performance and governance.
2. We have issued a range of reports this year, and we briefly touch on the key issues we raised in this report. Each report set out our detailed findings and recommendations and management's agreed response.
3. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Park 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 Position

4. In this section we summarise key outcomes from our audit of the Park Authority financial statements for 2007/08, and comment on the key financial management and accounting issues faced. The financial statements are an essential means by which the organisation accounts for its stewardship of the resources available to it and its financial performance in the use of those resources.

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 Park Authority and its expenditure and income for the period in question
 - whether they were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
 - the consistency of the information which comprises the Management Commentary, National Park Authority Members and the unaudited part of the Remuneration Report, included in the Annual Report, with the financial statements
 - 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 Park Authority.

Overall conclusion

7. We have given an unqualified opinion on the financial statements of the Park Authority for 2007/08.
8. The unaudited accounts were due to be provided for audit in June 2008. However, following a request from the Park Authority at the start of May, submission of unaudited accounts was deferred until late August. Draft accounts were provided for audit on 25 August, prior to the rearranged onsite field visit, and were supported by a comprehensive working paper package. The good standard of the supporting papers and the timely responses from the Park Authority staff allowed us to conclude our audit within the agreed timetable and provide our opinion to the Audit Committee on 22 October 2008.



Financial Position

Outturn 2007/08

9. The Park Authority is required to work within the resource budget set by the Scottish Government. In 2007/08 the National Park Authority stayed within both the cash and non cash elements of its resource budget – see exhibit 1 below.

Exhibit 1 – Performance against Resource Budget 2007/08

Resource Allocation (£million)	Budget	Actual Outturn	Difference
Grant-in-Aid – cash	6.673	6.517	0.156
Resource cover – non-cash	0.837	0.748	0.089
Total	7.510	7.265	0.245

2008/09 Budget

10. Scottish Ministers have agreed a resource budget for the Park Authority of £8.029 million for 2008/09. This comprises £6.829 million cash – Grant-in-Aid, an increase compared to cash resource available in 2007/08, and £1.2 million to cover non-cash costs.

Exhibit 2 – 2008/09 Resource Plan

	TOTAL	'CASH'	'NON CASH'
	£m	£m	£m
Grant-in-Aid (baseline)	6.829	6.829	0.000
Non cash resource	1.200	0.000	1.200
Resource Budget	8.029	6.829	1.200
Other Income Sources	0.885	0.885	0.000
Total Operating Plan	8.914	7.714	1.200
Analysed as:			
Grant-in-Aid		6.829	
Other sources		0.885	
'Total Cash'		7.714	
'Non cash' resource		1.200	
Total Operating Plan		8.914	



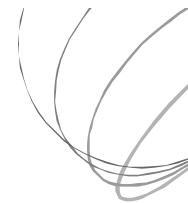
11. The Park Authority is expected to deliver 2% cash-releasing efficiencies from 2008/09 to 2010/11, and this is reflected in the budget agreed with Scottish Ministers. A number of actions have been identified by the Park Authority in order to realise these savings, including reductions in operational costs in specific business areas, reductions in staff travel costs, joint working with the Scottish Environmental Protection Agency and more efficient deployment of staff.
12. Funding for 2009/10 and 2010/11 has been set at £7.9 million and £8.1 million respectively. Despite the identified efficiency savings outlined above, the Park Authority anticipates a shortfall in available financial resources as a consequence of the reduced operational element of Grant-in-Aid. We will continue to monitor how this impacts on the affordability of the future aspirations set out in the corporate plan.

Issues arising from the audit

13. Auditing standards require us to report to the audit committee the main issues arising from our audit of the financial statements. On 22 October 2008, we reported to the audit committee that no significant issues were identified.

Regularity Assertion

14. 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 were 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

15. This section sets out our main findings arising from our review of the Park Authority's governance arrangements. This year we reviewed:
- key systems of internal control
 - internal audit.
16. 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 7-8). Our overall conclusion is that arrangements within the Park Authority are sound and have operated through 2007/08.

Strategy and delivery

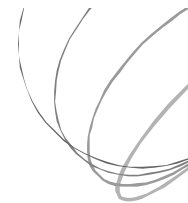
17. The corporate plan 2008-11 was presented early in 2008 and implements the framework provided by the National Park Plan 2007-2012, as approved by Scottish Ministers in March 2007. The corporate plan sets out the role, contribution and priorities of the Park Authority in delivering the National Park Plan and its contribution to the Scottish Government's strategic objectives.
18. The Corporate Plan structures the National Park Authority's activities into five core themes:
- Climate change and our special qualities
 - Responsible enjoyment
 - Place making
 - Rural vibrancy
 - Leading and innovating.

To support the corporate plan, a number of detailed annual business plans will be prepared that further prioritise, programme and allocate resources to these activities.

19. Successfully delivering the refocused activities set out in the corporate plan has required organisational change. A number of key staff departed during the financial year, including the former chief executive and the director of corporate services, at the same time as a new organisational structure was being developed.



20. An interim chief executive was appointed on a temporary basis from September 2007, and the new chief executive took up post in July 2008. The post of director of corporate services has been deleted from the establishment, and the responsibilities reassigned among the senior management team as part of the organisational change process. This process is reaching the final stages of completion and we will monitor the impact of the revised structure on delivery during 2008/09.
21. A strategic review of Scotland's two National Park Authorities commenced during 2007/08. The first stage looked at the ways in which the functions of the Park Authorities can be best delivered. The key recommendations of the review include a reduction in the size of boards, an increase in the proportion of directly elected members, and the introduction of a ministerially chaired National Parks Strategy Group. The review also recommended that future organisational arrangements should be reviewed again, should any further National Parks be created in Scotland. A three month consultation period on the recommendations is due to finish in February 2009.
22. A second stage of the review was planned for late 2008, however the recommendations of the first stage encompass most of the planned areas of coverage, including the possible need for other boundary changes in either of the Parks and criteria for future National parks. It is proposed that outstanding issues of powers and responsibilities of National Park Authorities will now be addressed by the National Parks Strategy Group.
23. The Park Authority is a member of Scotland's Environmental and Rural Services (SEARS), a partnership designed to deliver streamlined services for rural land managers. Phase 1 of the partnership, launched in June 2008, focuses on:
 - a customer focused service, with closer partner working
 - co-ordination of visits and inspections, to minimise duplication across partners
 - a "one door" approach, where any SEARS partner covering a topic can be approached for information
 - consistent and responsive service across SEARS partners, including common and transparent customer care standards.
24. The SEARS project provides the Park Authority and other partners with an opportunity to identify efficiency gains through collaborative working. Although the Park Authority is a relatively small organisation in relation to other stakeholders, SEARS could have a significant impact on the way it operates, including the resources required to develop proposals and deliver expectations. We will continue to monitor developments in this area during 2008/09.



Systems of internal control

25. 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 their annual report for 2007/08 internal audit provided their opinion that, based on the internal audit work undertaken during the year, there was reasonable assurance on the adequacy and effectiveness of the systems of internal control. However, internal audit did highlight some issues of non-compliance with established procedures and policies for the procurement of goods and services. The Park Authority has identified a range of actions taken to strengthen controls, and has committed to a further internal audit review of procurement during 2008/09.
26. As part of our audit we reviewed the high level controls in a number of the Park Authority's systems that impact on the financial statements. Our overall conclusion was that key controls were operating effectively.

Prevention and detection of fraud and irregularities

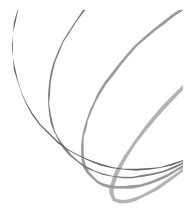
27. The Park Authority has appropriate arrangements in place to prevent and detect fraud, inappropriate conduct and corruption, including policies and codes of conduct for staff and board members.

Internal Audit

28. 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 2007/08 audit we assessed whether we could place reliance on the Park Authority's internal audit function. We concluded that the internal audit service operates in accordance with the Government Internal Audit Manual and therefore placed reliance on their work in a number of areas during 2007/08, as we anticipated in our annual audit plan.

Statement on Internal Control

29. The Statement on Internal Control provided by the Park 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 set out the Park Authority's approach to this. The statement recognises a number of areas for development, including the current business continuity planning arrangements, as well as the action taken in relation to compliance with established procurement arrangements.

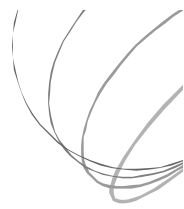


Performance Management

30. 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.
31. 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.

Best Value developments

32. The positive impact of the Best Value concept in local government led Scottish Ministers to introduce a non-statutory Best Value duty on all public sector accountable officers (i.e. across health and central government) in 2002. This was reinforced by refreshed Ministerial guidance in 2006, highlighting the importance that the Scottish Government places on Best Value as a means of supporting public service reform.
33. That position was again re-iterated in the Scottish Government's recent response to the Crerar scrutiny review which credited the Best Value regime as a key driver of modernisation and improvement in public services. Audit Scotland is committed to extending the Best Value audit regime across the whole public sector and significant development work has taken place over the last year.
34. The framework for our proposed Best Value audit approach was agreed by Audit Scotland's Corporate Management Team in September 2007. It is based on the key principles of flexibility and proportionality; alignment and integration with our existing activities; being delivered within our existing resources, and with an evolutionary implementation.
35. Using the Scottish Government's nine best value principles as the basis for our audit activity, we have identified five priority development areas (Use of Resources, Governance and Risk Management, Accountability, Review and Option Appraisal, and Joint Working) for our initial development work.
36. Currently we are concentrating on the development of Use of Resources audit toolkits, focusing initially on Financial Management, Efficiency, and Information Management. These toolkits are being piloted in a sample of NHS and central government clients during 2007/08 and 2008/09. Developed toolkits will also be made available to public bodies to consider for self assessment.



37. The Park Authority has gone through significant organisational change over the last year, as the structure is re-aligned with the new corporate objectives. The organisation has not undertaken a detailed review against the Best Value criteria, however a number of actions detailed the corporate plan will be used to help demonstrate the Park Authority's future progress in developing and implementing Best Value. We will monitor progress in this area during 2008/09.

Efficiency

38. The Park Authority, in line with other public sector bodies, is expected to deliver 2% cash-releasing efficiencies from 2008/09 to 2010/11. A number of actions have been identified by the Park Authority in order to realise these savings, including reductions in operational costs in specific business areas, reductions in staff travel costs, joint working with the Scottish Environmental Protection Agency and more efficient deployment of staff.
39. These will be challenging targets for the Authority to achieve and we will keep developments in this area under review during 2008/09.

Performance Management

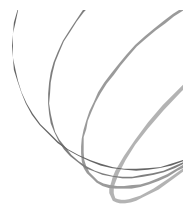
40. The Park Authority developed a business plan for 2007/08 that is more closely aligned with the National Park Plan. This took the seven main programme areas of the National Park Plan as the focus of activity. A performance scorecard was used to monitor and report progress against the business plan, and the Park Authority has reported good progress against each of the programmes in 2007/08. A six-monthly performance scorecard was presented to the Board for consideration in December 2007.
41. The Park Authority has refocused its activities for the next three years in the Corporate Plan 2008-2011, which is structured under five themes combining both National Park Plan programmes and the Government's strategic objectives. Delivering these refocused activities will involve restructuring the organisation and the teams within it, along with the arrangements for reporting and reviewing performance at both management and Board level. We will monitor the Park Authority's developments in this area over the coming year.



Looking Forward

42. The Park Authority faces a number of challenges in 2008/09, which include:

- **International Financial Reporting Standards (IFRS)** – As part of the UK Budget 2007 the Chancellor announced that the timetable for IFRS implementation was to be extended by a year with central government accounts in Scotland to become IFRS compliant with effect from the 2009/10 financial year. The Scottish Government have notified central government bodies that they will be required to produce shadow IFRS based accounts for the financial year in 2008/09, including a restated balance sheet as at 1 April 2008. A detailed timetable and list of requirements have been issued by the Scottish Government. This process may require significant resource to complete and it will be important that the restatement is tackled early in 2008/09, with a plan in place to manage the transition.
- **Scotland Performs** – The Scottish Government is continuing to develop its approach to performance management based on a National Performance Framework and outcome agreements. The National Performance Framework is based on the outcome based 'Virginia-style' model of performance measurement and reporting. In support of this the Scottish Government has developed a new electronic tool and website to communicate to the public on Scotland's progress. This will include progress on overall delivery of the administration's purpose for Government, the five strategic objectives for Scotland and other aspects of the outcomes based National Performance Framework. Organisations need to develop their own performance management frameworks and ensure these align appropriately with the Scotland Performs framework. We will consider how the Park Authority's new corporate plan and performance monitoring arrangements addresses this developing area as part of the 2008/09 audit.
- **Efficiency and future funding** – Budgets for 2008/09 and the immediate future will need to be managed within a tighter funding regime. This includes significantly less scope for the application of end of year flexibility for the Government with HM Treasury until the next Spending Review; no option to transfer funds from capital to revenue; and the impact of the introduction of International Financial Reporting Standards (IFRS), particularly on leases and infrastructure accounting. The challenge for the Park Authority is to prioritise spending, identify efficiencies and review future commitments to ensure delivery of key targets and objectives.
- **Data handling** – The Scottish Government carried out a review of data handling arrangements in Scotland, in response to failures in UK government bodies procedures and practices during 2007. The review considered current policies and procedures on data protection, consistency with government standards and local arrangements for implementation of procedures. The final report, published in June 2008, identified good practice across the public sector, and



made a number of recommendations for improvement. We will monitor the Park Authority's response to the review and action taken as part of our 2008/09 audit.

- **Scotland's Environment and Rural Services (SEARS)** – Phase 1 of the project was implemented in June 2008. Phase 2 will be launched at Royal Highland Show in 2009, and a programme of work leading to and beyond the 2009 show has been developed by the Project Board. The Park Authority may be required to contribute various workstreams. We will continue to monitor developments in this area.
- **Strategic Review** – Phase 1 recommendations from the strategic review including the board size, proportion of directly elected members, and collaboration between the Park Authorities are currently being consulted on. Future decisions by the proposed National Park Strategy Group could still have a significant impact on the way in which the Park Authority operates in the future, including its responsibilities, operation and boundaries.
- **Organisational Change** – In order to prepare for successful delivery of the National Park Authority's refocused activities, as set out in the Corporate Plan 2008-2011, significant organisational change has been required. This is reaching the final stages of completion; however a number of key management roles are yet to be filled. We will continue to monitor progress on filling the gaps in the organisational structure, and any impact this may have on delivery of objectives.