

Cairngorms National Park Authority (CNPA)

Financial year ended 31 March 2022

Prepared for the Audit & Risk Committee, the Accountable
Officer, and the Auditor General for Scotland

External Audit Report – January 2023



Contents



**Your key Grant Thornton
team members are:**

Andy L Mack

Engagement Lead

T 0207 728 3299

E Andy.L.Mack@uk.gt.com

Ben Stern

Engagement Manager

T 0161 953 6443

E Ben.Z.Stern@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Cairngorms National Park Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key messages

This is our final report to Cairngorms National Park Authority (“CNPA”) Audit & Risk Committee, Board, and the Auditor General For Scotland and concludes our audit on the financial year ended 31 March 2022. We will issue an unmodified audit opinion on the annual report and accounts, including an unmodified opinion on regularity and the Remuneration Report. We thank management for all their assistance during the audit process.

03 Other audit matters

Our final report summarises a number of other audit matters, including:

- We have concluded that CNPA meets the definition of a going concern, reflecting on FRC Practice Note 10 considerations.
- We set out our roles and responsibilities on fraud. During the course of our work we did not identify fraud and/or material error.

We identified no adjustments to the draft accounts but identified a number of disclosure adjustments. These are detailed in Appendix 1 and not considered material to the accounts.

01 Materiality

We re-calculated our materiality based on the unaudited annual report and accounts. The benchmark of 2% of gross expenditure remained the same. This resulted in:

- Materiality of £206,300 and a performance materiality (75% of materiality) of £154,725.
- All audit adjustments above £10,300 were reported to management and captured in this report.
- Lower materiality of banding on Staff Remuneration Report (being £5,000).

04 Wider Scope Audit

In accordance with the Code we determined that Cairngorms National Park Authority (“CNPA”) meet the definition of a smaller body. This is based on CNPA’s expenditure transactions and balances held being relatively smaller than other public bodies and the financial statements are considered less complex.

In accordance with the Code we have concluded in this report on your governance statement and CNPA’s financial sustainability arrangements. During our audit we did not identify any further areas of wider scope risk.

02 Financial statement audit risks

At planning, in accordance with the ISAs (UK) and FRC Practice Note 10 we have identified the following significant financial statement audit risks:

- Management override of controls (ISA UK 240)
- Risk of fraud in expenditure (cut-off) (FRC PN10)
- Risk of fraud in revenue (cut-off)(ISA 240)

We have no matters to bring to your attention arising from our work over these significant audit risks.

05 Our Audit Fee

Our audit fee is £11,820. There were no non-audit services (fees) during the year and we did not need to vary our agreed fee.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2022 at CNPA. The scope of our audit was set out in our External Audit Plan communicated to the Audit & Risk Committee in February 2022.

The main elements of our audit work in 2021/22 have been:

- An audit of CNPA's annual report and accounts for the financial year ended 31 March 2022; and
- Consideration of CNPA's financial sustainability and Governance Statement disclosures, as required under the smaller body classification, within the Audit Scotland Code of Practice (2016).

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the Accountable Officer and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

CNPA is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. CNPA is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Audit timescales and completion of the audit

As Members are aware, the timescale for completion of the audit has been problematic. The previous Engagement Lead, John Boyd, had aimed to issue a draft Audit Findings Report by the end of June 2022. This was a challenging target and one that would have been much earlier than in previous years. However, with the right resources in the audit team, and with the achievement of key milestones by both CNPA and the audit team, it should have been achievable. In practice, as CNPA will be aware, some key members of our local audit team unfortunately left the firm during 2022. This included John Boyd himself, who was recruited by Audit Scotland and left Grant Thornton in August 2022. The current audit team (Andy Mack as Engagement Lead and Ben Stern as Audit Manager) took on their roles in September 2022. Unfortunately, at that point, the financial audit had not yet commenced and audit samples had not been selected.

Our aim at that point – as advised to the Director of Corporate Services by John Boyd before he left the firm, and to Audit Committee on 30 September - was to complete the audit by the end of November. We provided an interim update to Audit Committee on 5th December and will issue our audit opinion in January 2023.

We are grateful to both the Director of Corporate Services and the Financial Manager for their support during this period. The major challenge during the final audit period, and a factor which has caused a delay in certification, is the complex nature of the entity's financial ledger which required a substantial investment of time and resources reconcile primary accounting records. In particular, the use of the company group structure function within the financial accounting package requires six ledgers to be collated to produce the information disclosed in the financial statements.

In our view this places a significant strain on the CNPA finance team through the accounts production process and requires multiple duplication of entire audit procedures on behalf of the audit team. As a result of this, the actual amount of time spent by the audit team on the financial statements was greater than expected. As we appreciate that the delays to the original planned audit timetable have been an inconvenience to the authority, we are not proposing to charge any additional fee for this work.

We have discussed this report with the Director of Corporate Services and the Finance Manager and set out further details of our findings and recommendations in this report. We welcome the opportunity to discuss the detail of this report, including the specific systems issues we have identified, with CNPA's management and Audit Committee.

Audit of the annual report and accounts

Key messages and judgements

We have issued an **unmodified** audit opinion on the annual report and accounts.

We raised a number of disclosure adjustments identified from our review of the annual report and accounts. Further details are provided in [Appendix 1](#).

We would like to thank management for all their assistance throughout the audit process.

Our audit opinion

For the financial year ended 31 March 2022, subject to final quality procedures, we will issue an **unmodified opinion** on the annual report and accounts. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework;
- expenditure and income were regular and in accordance with applicable enactments and guidance; and,
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The audit process

Our audit work commenced in November 2022. We received the draft primary financial statements at the start of the audit. There were no adjusted misstatements to the draft financial statements. There were a number of disclosure adjustments in respect of the draft financial statements to ensure compliance with the FReM. A full listing of the misstatements is detailed in [Appendix 1](#).

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our audit plan communicated to the Audit and Risk Committee in February 2022. We updated our audit materiality to reflect the 2021/22 draft financial statements. It is set at £206,300 representing 2% of gross expenditure. Performance materiality was set at £154,725, representing 75% of our calculated materiality. We report to management any difference identified over £10,300 (being 5% of overall materiality).

We applied a lower materiality threshold for Directors Remuneration disclosures (salary) within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (being £5,000).

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Management override of controls

As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override CNPA's controls for specific transactions.

Our work focuses on critical estimates and judgements as set out within the financial statements, including accounting policies. In addition, we specifically consider cut-off (expenditure and income) and the use of manual journals during the year, and in creating the financial statements where controls may be overridden by management. These are inherently the areas in which management has the potential to use their judgement to influence the financial statements. We will obtain an understanding of the business rationale of significant transactions that we become aware of that, based on our audit knowledge and understanding, are outside the normal course of business for the entity, or that otherwise appear to be unusual.

Commentary

- We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. We note that there are limited areas of significant estimation and judgement in the accounts or areas of significant estimation uncertainty. Through our review of holiday pay accrual, amortisation of intangible assets, and review of provider accrual and associated debtor, we did not identify any indication of management bias or error.

Journals testing including:

- Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
- We reviewed the journals population to identify any large or unusual items that may be indicative of fraud or error. This includes consideration of journals during the year and journals to create the year end accounts;
- Reviewed the journals population, identifying those where there may be increased risk of fraud, including any prepared by senior management, and selected these for target testing.
- Ran journals routines to identify journals with increased risk profile for specific target testing.

Conclusion

Through our audit procedures performed we found that there was no evidence of management override in our testing of transactions tested. We did not identify indications of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement. CNPA have limited accounting estimates and we are satisfied that there is no indication of inappropriate management bias in the estimates made.

Risks identified in our Audit Plan

Risk of fraud in expenditure recognition

As set out in Practice note 10 (revised) which applies to public sector entities we consider there to be an inherent risk of fraud in expenditure recognition. As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of misstatement in this expenditure stream. In addition, depreciation represents the allocation of the cost of an asset over its useful economic life. These costs are well forecast and stable based on assets useful economic lives and therefore not considered at risk of material misstatement. We therefore focus on non-pay expenditure including operational plan expenditure and other operating costs, excluding depreciation.

We consider the risk to be particularly prevalent around the year end and therefore focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting in-year to Scottish Government and the need to achieve the financial targets set.

Commentary

- We performed walkthroughs of the controls and procedures over non-pay expenditure streams including programme expenditure, project expenditure and other operating costs;
- Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording;
- Focused substantive testing of non-pay expenditure recognised pre and post year end to identify if there is any potential understatement to address the risk of cut-off; and
- Review of accruals and payables, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.

Conclusion

Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of the completeness and occurrence of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals or payables balances at year end.

Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of the CNPA (regularity testing).

Risks identified in our Audit Plan

Risk of fraud in revenue recognition

Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities. CNPA receives Grant in aid funding through resource allocations direct from the Scottish Government. While material, we consider this funding to be well forecast and directly agreed to Scottish Government funding letter and draw down. We therefore consider the opportunity and incentive to manipulate this funding as low and rebut the presumed risk around revenue recognition over revenue resource allocation. We consider the risk of fraud in revenue recognition to be present in material revenue streams recognised within contract income, being operational plan income and other income. As financial performance targets are primarily set for year end outturn position, including financial performance against the Scottish Government funding, we consider the risk to be prominent around year end revenue transactions and receivable balances. Consequently, we attach the risk to both occurrence and completeness of revenue at the year end.

Commentary

- We performed walkthroughs of the controls and procedures over planning fee income, programme income and project income.
- For these income streams, substantive testing over income recognised in the final two months of the year where there is an inherently higher susceptibility of fraudulent recognition.
- Sample testing of receivable balances held at 31 March 2022 through agreeing balances held to invoices and/or other supporting records.
- Reviewed Management's assessment of bad debts including their assessment of outstanding debt and forecast recovery.
- Performed income cut-off procedures and substantive testing over pre and post year end balances, over non GIA funding income streams.

Conclusion

Through our audit procedures performed we did not identify any exceptions in our year end cut-off testing of income. We gained assurance around the completeness and occurrence of material revenue streams around the year end and that these were free from material misstatement.

Through our substantive procedures and sample testing we did not identify any income which was not in accordance with the nature of the CNPA (regularity testing).

Significant estimates and judgements

CNPA's annual report and accounts contain areas of estimation and judgement. Management have recognised an estimate in the accounts relating to the LEADER programme. Given the value of the LEADER programme provisions is below materiality we do not consider this to be a significant estimate. The only other areas of estimation relates to depreciation of property, plant and equipment and accruals (including deferred income). We do not consider these to represent significant estimates or judgement as the estimation involved is unlikely to result in a material change in the next 12 months.

Other areas of estimation and judgement

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation of property, plant and equipment	Depreciation is provided on a straight-line basis on all property, plant and equipment (excluding freehold land and assets under construction) at rates calculated to reflect expected useful economic lives. Periodic reviews of other NDPB accounts are undertaken too to ensure rates are in line with other NDPBs. review of depreciation and capitalised assets in year through periodic management accounts and discussions between the Finance Manager and Director of Corporate Services. No outside service providers or management experts are used.	We have reviewed the depreciation policies applied by CNPA and are satisfied that these are reasonable given the nature of assets held. We have performed analytical procedures to confirm that the charge in the year is in line with our audit expectation. There is no indication of management bias in depreciation rates applied.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Provisions	Provisions are based on Management's assessment of the likely future costs incurred in relation to sums recovered through potential reclaims through the LEADER programme, or through redecoration provision or untaken annual leave. Provisions are reviewed throughout the year and as part of outturn assessment by Management.	We have reviewed the approach adopted by CNPA in arriving at estimates for accruals and deferred income. As at 31 March 2022 total provisions were £60,000 and therefore we do consider them to represent areas of material estimation and judgement. There is no indication of management bias in the estimate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Accruals and deferred income	<p>Accruals reflect expenditure that has occurred by 31 March 2022 but for which CNPA have not received an invoice at the balance sheet date. These predominantly relate to invoices received after the year end relating to 2021/22 or where there is a contract in place but invoice is outstanding (mainly other public bodies) or for payroll costs where payment is outstanding at 31 March. Deferred income reflects balances where cash has been received but for which performance conditions / restrictions permit recognition of the income until future years. As part of the annual accounts process Management review income received and assess performance conditions outstanding.</p>	<p>We have reviewed the approach adopted by CNPA in arriving at estimates for accruals and deferred income. Our testing found there to be limited areas of estimation and judgement. There is no indication of management bias through sample testing performed.</p>	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Internal control environment

In accordance with ISA requirements we have developed an understanding of the control environment in place within CNPA. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We did this through a walkthrough of key controls within CNPA including payroll, expenditure, and journals.

We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to CNPA and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2021/22 HM Treasury Financial Reporting Manual (FRoM).
- We enquired of management and the Audit & Risk Committee, concerning CNPA's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit & Risk Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of CNPA's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered CNPA's financial performance for the year and potential management bias in determining accounting estimates. Our audit procedures involved are documented within our response to the significant risk of management override of controls on Page 6.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Our audit team communicated internally regarding potential non-compliance with relevant laws and regulations, including the potential for fraud in expenditure recognition and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - CNPA's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - CNPA's control environment, including the policies and procedures implemented to ensure compliance with the requirements of the financial reporting framework.

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

Issue	Commentary
Matters in relation to fraud and irregularity	It is CNPA's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of CNPA's accounting policies, accounting estimates and financial statement disclosures. Disclosures and accounting policies are in line with the FReM and we have no significant matters to report.
IFRS 16 Transitional Disclosure	As CNPA are due to implement IFRS 16 in the 2022-23 period of accounts, the accounting standards require transitional disclosures in the 2021-22 accounts to set out the nature and extent of changes in recognition of leases expected to be reported in the 2022-23 accounts. We consider the disclosure to be compliant with the financial reporting requirements.
Matter in relation to Contingent Liabilities	We evaluated that the possibility and likelihood of cash outflows in pending legal disputes is remote. In line with IAS 37, we have thus concluded that the contingent liabilities disclosure is appropriate and that we have no further significant matters to report.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified and we will issue an unmodified opinion in this respect.</p>
Opinion on other aspects of the annual report and accounts -	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the FReM, and the Accounts directions thereunder. We have audited the elements of the Remuneration Report and Staff Report , as required and are satisfied that these have been properly prepared in accordance with applicable legislation.</p> <p>The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the FReM and directions made thereunder by the Scottish Ministers. The information given in the Governance Statement is consistent with the financial statements and that report has been prepared in accordance with the directions made thereunder by the Scottish Ministers.</p>
Matters on which we report by exception	<p>We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.</p>
Governance statement	<p>The governance statement is included within the Accountability Report. The report outlines the governance framework in place at CNPA. The Report includes the Statement of the Accountable Officer's responsibilities and had been prepared in accordance with the FReM. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value and this is confirmed in the narrative in the annual report and accounts. There was no matters arising from our review of the governance statement that we want to draw attention to.</p>
Written representations	<p>A letter of representation has been requested from the Accountable Officer, including specific representations, which is included in the Audit & Risk Committee papers. Specific representations have been requested from management in line with prior years and confirms as auditors all records have been made available to us.</p>
Regularity	<p>The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income. In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.</p>

Issue **Commentary**

Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by CNPA meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management’s assessment of the appropriateness of the going concern basis of accounting and conclude that:

- a material uncertainty related to going concern has not been identified
 - management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
-

Wider scope audit – Smaller body

As set out in our Audit Plan, CNPA meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016). Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Governance Statement. Our work on the governance statement, and conclusions are set out on page 11 of this report. Below we have captured our commentary and conclusions on financial sustainability and other matters of interest during the year.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Governance arrangements (Audit Scotland planning guidance consideration)	No significant risks identified within our audit planning.	<p>Governance</p> <p>The CNPA Chief Executive is supported by the Senior Management Team and are responsible for strategic decision making and operational delivery. The Board, comprising nineteen members, agree the overall direction of the Authority, provide oversight on the organisation’s performance and discuss and develop policy and strategy, engaging with issues and stakeholders in the National Park. The Board members are tasked with ensuring effective and proper governance of the organisation. More detailed responsibilities are delegated to the Planning, Audit & Risk, Governance, Resources and Performance Committees.</p> <p>In the prior period, and in line with CNPA’s Business Continuity Plan, the governance arrangements were adapted to allow for remote meetings of the Board and Committees through the disruption to working practices through the COVID 19 pandemic. From the beginning of the 2022/23 period, these arrangements have been adopted as features of CNPA’s working arrangements.</p> <p>During 2021/22 CNPA’s governance arrangements continued to operate effectively. We found effective scrutiny and challenge and no significant concerns around governance arrangements.</p>	We are satisfied that CNPA’s Governance Statement disclosures represents the governance arrangements in place during 2021/22.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Financial Sustainability, (as applicable to a smaller body)	No significant risks identified within our audit planning.	<p>2021/22 Financial performance and sustainability</p> <p>For 2021/22, CNPA reported net expenditure for the year of £8.86 million (2020/21: £5.47 million). The outturn position reflected a small cash underspend of £14k against the Scottish Government's Cash Departmental Expenditure Limit for the year. However, there was a more significant underspend of £145k against capital resource limit. This was primarily due to the continued impact of COVID 19 which delayed the grant approval processes, planning, availability of contractors and access to sites.</p> <p>There was an underspend of £169k against the Non-cash Departmental Expenditure Limit. This was the result of the delay to implementation of IFRS 16 which was allocated non-cash expenditure to cover depreciation of leases capitalized under IFRS 16.</p> <p>The Cairngorms National Park Partnership Plan 2022-27 (NPPP) outlines the organisations' key priorities for next 5 years. The plan is underpinned by financial projections detailing how income and funding generated would support the spend incurred in delivering these objectives. Annually, the Board set an operating budget. For 2022/23 the CNPA Board agreed a transitional budget and strategic planning process while the NPPP was finalised. The budget forecasts available income resources of at least £10.47 million, including Peatland Restoration funding of at least £3.22 million. Management have estimated core running costs of £5.40 million and operational plan provisions of £1.52 million leaving the residual balance for the delivery of new programmes, including the Peatland Restoration, demonstrating that CNPA continues to operate within financial resources available. Over the longer term, CNPA has had a further significant award of resources from the National Lottery Heritage Fund (NLHF) to support further innovation and work on conservation and climate action. In July 2021, the NLHF announced an allocation of £12.5 million toward the Heritage Horizons (Cairngorms 2030) programme. This represents a significant investment for CNPA and, following a prior year recommendation, Management is taking steps to establish effective processes, controls and resources to ensure the funds are administered appropriately.</p>	<p>Through our audit procedures we have not identified any significant risks in relation to CNPA's financial sustainability.</p> <p>CNPA's operating expenditure is funded through a combination of programme, project and other income as well as grant-in-aid funding.</p> <p>Following our recommendation in the prior year, Management is taking steps to establish effective processes, controls and resources to ensure the funds are administered appropriately.</p>

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were no corrected misstatement. There were no uncorrected misstatement to the financial statements arising during our audit.

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
Annual Report	In accordance with the FReM a number of presentational adjustments were required to the Annal Report including the Performance Report and Accountability Report. These were primarily presentational updates.	✓
IFRS 16	As CNPA will be transitioning to IFRS 16 in 2022/23, FReM requires transitional disclosures in the 2021/22 accounts in line with IAS 8 to assess the expected impact of the standard on the SoCNE and SoFP statements. CNPA have inserted relevant disclosures which we consider to be fairly stated.	✓
Remuneration Report	We noted during our audit procedures over Remuneration Report that the salary banding in respect of a Senior Management Team member was not consistent with the underlying payroll records. Accordingly management has amended this disclosure	✓

There were minor presentational (rounding / formatting) changes recommended to Management. These are not considered material to the accounts.

2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2021/22, the one significant recommendation arising from our audit work.

Recommendation

Accounts production process and provision of accounts for audit

CNPA uses a complex general ledger structure to segregate incoming and outgoing funds for various programmes being delivered. The use of the company group structure function within the financial accounting package requires six ledgers to be collated to produce the information disclosed in the financial statements.

Therefore, on receiving the accounts for audit, the audit team required a substantial investment of time and resources to reconcile the primary accounting records.

In our view this places a significant strain on the CNPA finance team throughout the accounts production process and requires multiple duplication of entire audit procedures performed by the audit team.

We recommend that alternative functionality within the accounting package is implemented to maintain the segregation of funds and, while there are likely to be a number of relevant functions available, exploiting Cost Centre functionality is one that may provide an adequate solution.

Agreed management response

We will review the use of our accounting package and its functionality to identify whether there are improvements that can be made, in terms of simplification of accounting, reporting, administration and ease of preparing year-end accounts in using other functionality within the system while retaining the transparency required to underpin our reporting to funding partners and audit.
Responsibility: Head of Finance and Corporate Operations

Action plan and recommendations

Recommendation

Cyber security governance and controls

Following our assessment of General IT Controls, we have identified weaknesses in the IT control environment. We identified an absence of robust processes in place at CNPA to assess vulnerability to cyber security risk and detect adverse cyber events. However, we have obtained assurances through our audit inquiries that no significant cyber events occurred during the year.

As a public body with responsibility for processing of public funds, CNPA is subject to an inflated risk profile and is likely to be a target for cyber criminal activity.

While CNPA receive some support from SG Cyber Security for critical updates and cyber security issues, we recommend that CNPA design and implement formal governance and risk management functions over cyber risk. We appreciate that CNPA is a relatively small entity with limited resources but CNPA management is encouraged to ensure that investment in the cyber risk management function is proportional to the risk.

Agreed management response

We will design and implement governance and risk management processes commensurate to the Park Authority's size and scale of operations, to enhance our internal controls and management of cyber security.
Responsibility: Deputy Chief Executive and Director of Corporate Services with Head of Finance and Corporate Operations.

3. Follow up of 2020/21 recommendations

We set out below our follow up of our 2020/21 recommendations and these are reflected below for information.

1. National Lottery Heritage Fund administration

CNPA has had a further significant award of resources to support further innovation and work on conservation and climate action from the National Lottery Heritage Fund (NLHF). In July 2021, the NLHF announced an allocation of £12.6 million toward the Heritage Horizons (Cairngorms 2030) programme with total budgeted expenditure of £43.2 million. This represents a significant investment for CNPA and it is therefore important that Management ensure that it has in place effective processes and controls as well as resources to ensure the funds are administered appropriately. In addition, as the funding arrangements become clear, it is important there is early consideration of the accounting treatment of these funds to ensure appropriately recognised in accordance with the FReM, this should then support updating financial plans both over the short to medium term. **Responsible office:** Director of Corporate Services, Deputy Chief Executive

Follow up: Complete

2021/22 Update:

The Park Authority's Finance and Heritage Horizons teams have worked to establish clear and effective processes and controls around administration of Heritage Horizons related expenditure and funding. The work is based on successful financial management and delivery of a number of high value National Lottery Heritage Funded (NLHF) projects and programmes, including the successfully completed Tomintoul and Glenlivet Landscape Partnership and ongoing Cairngorms Capercaillie Project. Based on this experience, CNPA have implemented the following processes and controls.

- Established clear, separate cost centre codes within the accounts.
- Set up a separate bank account to clearly identify and track cash transactions related to the Heritage Horizons Programme.
- Staff working on the Heritage Horizons Programme are identified and their costs recharged against the Programme.
- Programme expenditure is identified separately within our management accounting, enabling any unexpected financial impacts on the Authority's core funding and budgets to be identified.
- Project finance management has been subject to internal audit.
- Programme grant claims are supported by full evidence and submitted regularly through the NLHF portal.
- All budget management processes and grant claims have been successfully implemented since inception of this Programme.

We consider the response to the recommendation to be adequate and the recommendation is therefore closed.

4. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	9,240
Pooled Costs	2,140
Contribution to Audit Scotland costs	440
Contribution to Performance Audit and Best Value	-
2021/22 Fee	11,820

Fees for other services

Service	Fees £
We confirm that for 2021/22 we did not receive any fees for non-audit services	Nil

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Andy Mack, Audit Director in the first instance who is Engagement Lead for CNPA (andy.l.mack@uk.gt.com) or Joanne Brown, Head of Public Sector Assurance Scotland, who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021](https://www.grantthornton.co.uk/transparency-report-2021) ([grantthornton.co.uk](https://www.grantthornton.co.uk))

5. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of CNPA's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•



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