



Grant Thornton

Loch Lomond and the Trossachs National Park Authority

External Audit Annual Report to the Audit and Risk Committee and the Auditor General for Scotland for the financial year ended 31 March 2019

Audit and Risk Committee 27 June 2019, finalised August 2019

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Engagement Leader

John Boyd
Senior Manager



Our audit at a glance



We have fulfilled our responsibilities per International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work and this final report to the Audit and Risk Committee and the Auditor General for Scotland concludes our work.



Materiality was set at 2% of gross expenditure within our plan. There were two adjustments to the draft financial statements to reflect the impact of the McCloud case on defined benefit liabilities and reallocation of programme income and expenditure (identified by management). There were a number of disclosure adjustments to the draft financial statements. These are detailed in appendix 1.



We have built on our relationship with Loch Lomond and the Trossachs National Park Authority (the Authority) management during the year and this has ensured an efficient audit process to allow for the audit to be concluded by the end of June 2019.

An audit underpinned by quality



Significant audit risks were: management override of controls; and the risk of fraud in revenue and expenditure recognition as set out in International Standards on Auditing (ISAs UK) and practice note 10. Our risk assessment remained unchanged and we did not identify any adjustments in these two areas in our work.



Our work was undertaken in accordance with our agreed timetable. The draft financial statements produced by management were complete supported by detailed information and supporting working papers. We thank management for their support and assistance during our work



A wider scope audit for the Authority, as set out in our plan, was considered not appropriate. However, we have considered your financial sustainability and governance. The organisation faces financial challenges in delivering its strategic objectives and we recommend that a financial strategy / scenarios are developed to support the delivery of these. We have identified three areas where financial management and governance arrangements could be enhanced including: engagement with actuary to consider pending legal cases that may impact actuarial valuations; the development of medium term financial forecasts; and scrutiny over the annual accounts.

Contents

Section	Page
1. Introduction	4
2. The financial statements audit	5
3. The Authority's financial sustainability and governance statement	11
Appendices:	
1. Action plan and follow up of 2017/18 external audit recommendations	14
2. Fees, independence, and fraud arrangements	15
3. Audit adjustments	16
4. Communication of audit matters to those charged with governance	17

Introduction

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2019.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice 2016.

In accordance with our reporting responsibilities our report is jointly addressed to the Board and the Auditor General for Scotland.

This report will be made publically available on the Audit Scotland website (www.audit-scotland.gov.uk)

Our report was presented as a draft to the Audit and Risk Committee on the 27th June. Following completion of audit procedures and signing of the accounts the report has been finalised.

We would like to thank the Authority management and the finance team for an effective year-end audit process and all their support and assistance in the audit process.

Structure of this report

As set out in our Audit Plan (March 2019) we consider in accordance with the Audit Scotland Code of Practice that the Authority is a smaller body. Therefore full wider scope is not appropriate. Our report concludes on our financial statements audit and certain aspects of the Authority's arrangements as follows:

Financial statements – Section 2 and Appendix 1

Financial and governance arrangements – Section 2



Our Opinion

For the financial year ended 31 March 2019 we have issued an **unqualified audit opinion**

- True and fair view of the financial statements
- Regularity – expenditure has been incurred in accordance with the purpose of the Authority
- Other prescribed matters (which include the audited information in the remuneration report)



Audit process

We received a complete set of financial statements including the performance report, strategic report and governance statement.

This was in line with the timetable we agreed. The draft financial statements were supported by working papers and the audit was efficient.



The draft financial statements

We have no unadjusted differences to report to the Audit and Risk Committee. There were two adjustments to the draft financial statements presented for audit. We identified certain disclosure enhancements to the annual accounts and these have been reflected in the financial statements. These are detailed in appendix 1.

Our financial statements audit



Overall materiality has been set at £192,000 (2% of gross expenditure) and performance materiality is set at £144,450 (75% of materiality). We report to management any audit difference identified over £9,630 (Trivial as 5% of materiality).



The draft financial statements were supported through detailed working papers. There were two adjustments to the draft financial statements to reflect the impact of the McCloud case on defined benefit liabilities and reallocation of programme income and expenditure (identified by management). We raised certain disclosure adjustments to the financial statements to enhance users understanding of the accounts.



We have issued a true and fair audit opinion on the financial statements, including the wider information contained in the financial statements, and regularity opinion. The audited parts of the Remuneration and Staff Report are free from material misstatement.



Testing provided assurance on all identified areas of significant risks that these were not material misstated in the financial statements and there were no audit differences arising during the course of our audit.

Audit approach and materiality

Our audit approach was set out in our annual audit plan presented to the Audit and Risk Committee in December 2018. As set out in our plan, our materiality calculations were based on the audited 2017/18 financial statements. As the draft 2018/18 financial results were broadly in line with those in the audited 2017/18 accounts we have retained our materiality at the level reported in the plan. We have used gross expenditure as the benchmark. Overall materiality has been set at £192,000 (2% of gross expenditure) and performance materiality is set at £144,450 (75% of materiality). We report to management any audit difference identified over £9,630 (Trivial as 5% of materiality).

The draft financial statements were of a good standard supported through detailed working papers. There were improvements in the audit process this year and we will continue to work with management to enhance the audit process.

Audit opinion

Based on our audit procedures performed we have issued an unqualified audit opinion on the financial statements including:

- give a true and fair view in accordance with the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM;
- have been prepared in accordance with the requirements of the National Parks (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers;
- the wider information contained in the financial statements, e.g. Performance Report and Governance Statement, is consistent with the financial statements
- regularity of expenditure
- audited parts of the remuneration and staff report have been prepared in accordance with applicable guidance

Internal control environment

During the year we sought to understand the Authority overall control environment (design) as related to the financial statements. In particular we have:

- Sought to understand procedures and controls around related parties, journal entries and other key entity level controls
- Performed procedures around entity level controls and there are no significant matters that we wish to draw to your attention.
- Performed walkthrough procedures on key controls around identified risk areas including revenue, expenditure as well as payroll

No material weaknesses in the accounting and internal control systems were identified based on our work undertaken during the audit which could have an adverse impact on the Authority's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. We adopted a substantive based approach to the audit of the financial statements and therefore our review is limited to the design of controls rather than the operating effectiveness of these.

Internal Audit

As set out in our external audit plan we have not placed formal reliance on the work of the West Dunbartonshire Council Internal Audit Service, the Authority's internal audit provider. We reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach. No issues were noted that would impact on our audit work during the year.

Key audit issues

Responding to significant risks

Within our annual external audit plan we identified significant audit risks and our planned approach. We have set out below a summary of the work undertaken over these risks and our audit conclusions

Overview of our audit risks identified at planning and our proposed approach

	Risk of fraud in revenue	Risk of fraud in expenditure	Management override of controls
The Risk	<p>As set out in ISA 240, there is a presumed risk that revenue may be misstated due to improper recognition of revenue. Given grant-in-aid income is well forecast and agreed to funding letters we do not consider this to be of higher risk. Our presumed risk therefore focuses on operational plan and other income. We consider the risk to be prevalent around the year end and therefore focus our audit work on transactions around the year end.</p>	<p>Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). 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. We therefore focus on non-pay expenditure. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.</p>	<p>As set out in ISA 240, across all entities there is a presumed risk of fraud being perpetrated by management through its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. override of controls is present in all entities.</p>
Our planned response	<ul style="list-style-type: none"> Developed our understanding of the Authority's material revenue streams including walkthrough of key transactions. Performing revenue cut off procedures and substantive testing over pre year end transactions to gain reasonable assurance that these had been recognised in the correct financial year Testing the existence and recoverability of balances at the year end through sample testing of debtor balances at the year end to gain assurance 	<ul style="list-style-type: none"> Developed our understanding of the Authority's material expenditure streams including walkthrough of key transactions. Performing targeted review and testing of key expenditure streams during the year, including analytical review of expenditure and targeted transaction testing, including consideration of the regularity of expenditure incurred. Performing cut-off testing of expenditure transactions around the year end to ensure these had been allocated to the appropriate financial year. We have a particular focus on transactions recorded in April 2019 to ensure these did not relate to 2018/19. Reviewing post year end payments for any potential unrecorded liabilities. 	<ul style="list-style-type: none"> Developed our understanding of the entity level controls in place at the Authority that reduce the risk of management override Performed review of journal transactions for unusual transactions or balances. Evaluated key areas of judgement within the Financial statements and the basis for these judgements / application of accounting policies including accruals and provisions Reviewed unusual and/or significant transactions including IAS 19 pension adjustments.
Conclusion	<p>Appropriate assurance gained, through audit procedures performed, that revenue recognised by the Authority is free from material misstatements.</p>	<p>Based on our audit testing performed we are satisfied that revenue and expenditure is free from material misstatement. Through our substantive procedures and sample testing we confirmed expenditure testing was in accordance with the nature of the Authority (regularity).</p>	<p>Based on our testing we are satisfied that there was no evidence of management override or bias that would result in a material misstatement within the financial statements.</p>

Testing provided reasonable assurance on all identified areas of significant risks that these were not material misstated in the financial statements and there were no audit differences arising during the course of our audit.

Narrative elements of your annual accounts

In accordance with our responsibilities we have reviewed your narrative aspects of the Annual Accounts and Report. We have considered the consistency of this narrative with our understanding of the Authority and the financial statements and have set out our observations below. We have also audited the required information in the remuneration report (marked audited) and have no matters we wish to bring to your attention.



Adding value through our external audit work

Our overall objective is to ensure we deliver a quality external audit which fully complies with International Standards of Auditing (ISAs) UK and the Audit Scotland Code of Practice (2016). By ensuring our audit is efficient and effective, gives you assurance over our opinion.

Through this Annual Report we seek to provide insight and commentary over certain aspects of the Authority's arrangements, sharing relevant practices with the Audit and Risk Committee and Management.



Other key areas 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 increased risk due to their complexity or magnitude. This includes areas of key estimation and judgement and application of accounting policies.

Commentary:

The Authority's accounting policies are in accordance with IFRS as interpreted and adapted by the FReM and we consider these to be appropriate to the organisation. These have been applied consistently to the previous year with the exception of the adoption of two new accounting standards IFRS 9: Financial Instruments and IFRS 15: Revenue from contracts with customers. While these resulted in minor disclosure changes to the accounts including accounting policies and financial instruments disclosures, there was no impact on the primary financial statements.



Accounting estimates and judgements:

The Authority's significant accounting estimates and judgement impacting on the annual accounts are the following:

Defined benefit pension scheme: The Authority participates in the Strathclyde Pension Fund, a defined benefit pension scheme. In accordance with IAS 19, the Authority recognises the income, expenditure and their share of scheme assets and liabilities within the financial statements. The net defined benefit obligation is set through actuarial valuation.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members of public sector pension schemes as part of reforms to those schemes amounts to unlawful discrimination ("McCloud/Sargeant"). This ruling was subject to potential right to appeal from the UK Government, leading the Pension Fund to exclude any potential impact from the IAS 19 valuation included in the draft accounts. On 27 June 2019, the Supreme Court ruled that the government had not raised an arguable point of law, the court of appeal ruling was upheld. Consequently, given the increased certainty around future economic output arising from the ruling, the McCloud/Sargeant Case should be incorporated into the IAS 19 valuation.

As the initial IAS 19 valuation included within the draft accounts did not incorporate the impact of the McCloud/Sargeant case, the Authority has obtained a revised IAS 19 valuation from the scheme's actuary. This valuation increased the net liability by £349,000.

We are satisfied that following the adjustment (Appendix 2), the Authority has appropriately disclosed its share of the defined benefit pension schemes assets and liabilities within the financial statements in accordance with IAS 19. We have reviewed the key assumptions used in the actuarial valuation and are satisfied that these are reasonable and appropriate. We have performed audit procedures around the underlying data used in the valuation to gain assurance around the reasonableness of the accounting estimate.

In 2016, the Government announced that Public Sector Pension Schemes needed to review pension data which linked LGPS benefits to contracted-out employment and the State Pension. This is known as the Guaranteed Minimum Pension (GMP) data reconciliation review. The purpose of this review is to ensure that records held by the scheme and HMRC are correct. Where the data is incorrect then this could result in an overpayment or underpayment in pension. The treatment of overpayments has yet to be finalised by Scottish Ministers and the Authority has therefore excluded any potential impact from the IAS 19 defined benefit pension calculation. The Authority has considered the impact to be immaterial to the pension scheme as a whole, expected to be between 0.2% and 0.3% of scheme liabilities. We concur with Management's assessment and do not identify any material issues with the accounts.

Action Plan Point 1

Property, plant & equipment – The Authority holds assets at fair value. For land and buildings this requires professional revaluation of assets held to ensure these are appropriately recognised in the accounts. In accordance with the FReM, Land and Buildings are valued using professional valuers every five years. Valuations are also carried out on initial recognition of new land and buildings. The quinquennial valuation was carried out as at 31 March 2019. Ryden LLP provided the property valuations. Ryden LLP is a RICS Regulated firm and must ensure that all processes and valuations are fully compliant with the RICS Valuation – Global Standards 2017 (The Red Book). We have reviewed the revaluations undertaken during the year and confirmed these are in line with the valuers report. We have considered the instructions provided to the valuer to ensure completeness and appropriateness of the valuation undertaken. We have also reviewed the movement in asset valuations and challenged the valuer to understand the rationale for large or unusual movements across individual assets. We are satisfied that the valuation of property, plant and equipment is in accordance with the FReM and IAS 16.

Other key accounting issues:

Cononish Glen

During 2018/19 the Authority received cash of £810,392 (consisting of £537,918.22 for restoration and aftercare and £ 268,692.95 for Greater Cononish Glen management, plus interest accruing) as a planning requirement for the development of a gold and silver mine in Cononish Glen.

The cash receipt was with respect of security from the Operator's of the site to a third party land owner and was a condition of the planning agreement. Under the arrangement, the Authority has no beneficial interest in the cash and has no rights or benefits of use of the funds. These are effectively held as security on behalf of the landowner in the event that the Operator fails to meet their obligations in returning the site to a suitable condition at the end of the lease.

Following independent legal advice, the Authority has concluded that the funds reflect amounts held on behalf of others rather than an asset of the Authority. As a result this amount is not held within the Authority's statement of financial position and instead disclosed within the notes to the accounts as being sums held on behalf of third parties. Following discussions with Management and review of the legal advice and underlying contract, we concur with Management's conclusion and the disclosure within the financial statements.

Going concern

The Authority consider themselves a going concern. The Authority have agreed a budget with the Scottish Government for 2019/20 and are satisfied that based on current forecast levels of Scottish Government grant funding, revenue from fees and charges, and other income streams, the organisation will continue to operate and meet its financial commitments for the foreseeable future. From our review of Management's going concern assessment and our own review of financial forecasts and assumptions that support the going concern assessment, including funding letter from the Scottish Government, we are satisfied that the Authority has sufficient resources to continue to meet its obligations as they fall due and that the Authority continues to be a going concern.

The Authority's financial sustainability and governance arrangements

Openness and Transparency

The Authority is committed to openness and transparency. Board minutes and papers and committee minutes are published on the Authority's website. The Board met publically four times during 2018/19 and the Authority recognises the importance of continued engagement with the public through consultation and making information readily accessible.



We note that due to the timing of Board / Committee dates, the draft annual accounts were presented to the Board in advance of the Audit and Risk Committee. It is considered good practice that the Audit and Risk Committee would provide scrutiny of the financial statements for consideration by the Board. We recommend that the Authority consider reviewing the schedule of meetings to allow the Audit and Risk Committee to review the financial statements for approval at the Board. *Action Plan Point 2.*

Financial Management

For 2018/19, the Authority reported net expenditure for the year of £8.361 million. This resulted in underspend against its overall Departmental Expenditure Limit (cash and non-cash) set by the Scottish Government by £37,000. This included an overspend of £11,000 against resource (revenue) Expenditure Limits and an underspend of £26,000 against Capital Expenditure Limits.



Financial performance is monitored throughout the year by senior management and reported three times a year to the Board and four times per year to the Chairs and Executive meeting. The authority continues to demonstrate reasonable financial management arrangements. The in year revenue performance was delivered through the delivery of £0.25 million of efficiency savings (approximately 3.8% of costs), through a combination of vacancy management (including internal reorganisation of staffing resources) and review of contract management arrangements.

Financial Sustainability

The Authority's 2018/19 budget projects a small revenue overspend of £39,000. The Authority anticipates receipt of an additional £0.2m in capital grant in aid funding, however no uplift in revenue grant in aid has been awarded for 2019/20. Revenue grant in aid for 2019/20 is £6.52m (with capital grant in aid totalling £1.16m). Combined with other income (project and planning fees) of £848,000, including rental income, the total forecast revenue income for the year is £7.368 million.

However, the authority faces challenges in meeting its financial targets. The lifting of the Scottish Public sector pay cap will create additional financial pressures in 2019/20, as staff costs represent the most significant cost for the organisation. In addition the potential impact of EU Withdrawal creates additional uncertainty and opportunity to the Authority.



Over the medium to longer term the Authority recognises the changing strategic context for the National Park Authority and in particular the transition to delivering the priorities set out in the new National Park Partnership Plan 2018-23 as well as relevant Scottish Government priorities.

The Authority continues to be reliant on Scottish Government funding of which only one year settlements are received. As a result, only one year budgets are prepared. We recognise that management have considered the medium to longer term financial outlook for the Authority and strategically, the Authority has recognised that potentially it may need to explore opportunities for generating further revenue to support the delivery of strategic objectives. While we acknowledge the level of uncertainty over Government Funding, we recommend that Management more explicitly review medium term financial projections and consider these with the board when shaping financial strategy. *Action plan follow up 1.*

EU Withdrawal

There is considerable uncertainty around the potential impact of Brexit. We have used Audit Scotland's planning guidance to evaluate the Board's readiness for EU withdrawal across workforce (People and Skills); Finance; and Regulations.



The Authority has recognised that impact of EU Withdrawal could have implications for the organisation. Management, following Scottish Government advice has reviewed staffing arrangements to consider potential implications on the organisation as well as wider areas of consideration including impact on visitors and funding. While there remains considerable uncertainty surrounding the medium to longer term implications of the potential EU withdrawal, particularly around future levels of Scottish Government funding, the Authority does not consider any immediate significant impact on the organisation.

We are satisfied that the Authority has considered the potential implications and risks from EU withdrawal and that arrangements are in place to continue to monitor these. The medium term risks are managed as part of the organisations ongoing risk management arrangements.

Changing the landscape for public financial management

Recognising the changing landscape of Scottish public finances, including significant tax – raising powers as well responsibility for 11 social security benefits provides the Scottish Parliament with more policy choices. Subsequently, there is potentially greater volatility and complexity around Scottish budget and greater focus on the use of Scottish funds. While the Authority generates revenue through fees and charges, the organisation is still substantially funded through Scottish Government Grant in aid. As a result, Management use the financial statements and annual report as a key document in demonstrating the use of funds during the financial year and how these have supported the delivery of the National Park Partnership Plan and the National Park Authority's Corporate Plan



Dependency on key suppliers

The collapse of Carillion and the subsequent impact across the public sector, has brought into focus the risk of key supplier failure and underperformance. We will consider the arrangements in place for identifying key supplier and risks, if any associated with these and how effectively these are being managed.



While the Authority engage with a number of suppliers, given the nature and value of services provided, Management consider that the impact of a failure of a supplier, while causing some disruption, would be minimal on the organisation.

Appendices

Audit adjustments

Action plan and follow up of 2017/18 recommendations

Independence, fees and fraud responsibilities

Communication of audit matters with the those charged with governance

Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no uncorrected misstatements to the financial statements arising during our audit. The following adjustments were identified and adjusted by Management during the course of the audit.

Item	Dr (£)	(Cr) (£)	Description
1	Project income 188,797		<i>Being adjustment to correctly recognise programme income and expenditure incorrectly classified as project income and expenditure</i>
	Programme income	(188,797)	
	Programme expenditure	(188,797)	
	Project expenditure 188,797		
2	Expenditure (staff and interest costs) (Pension Reserve) 349,000		<i>Being adjustment to recognise the impact of McCloud case on IAS 19 defined benefit pension obligations</i>
	Pension fund liabilities	(349,000)	

Significant Disclosure recommendations

In accordance with auditing standards we are required to highlight significant disclosure misstatements to allow the Audit and Risk Committee to evaluate the impact of these matters on the financial statements. These do not impact on the primary financial statements.

Disclosure omission	Detail	Adjusted
Updated disclosure notes to the accounts	We recommended disclosure adjustments to enhance disclosures around material notes to the financial statements to enhance the readers understanding of the accounts. This included financial instruments note to meet the requirements of IFRS 9.	✓
Accounting policy disclosures	Minor changes to accounting policy disclosures, including financial instruments to meet the requirement of IFRS 9.	✓
Pension fund disclosures	We have recommended disclosures within the annual accounts relating to recognising two ongoing legal cases that could potentially have an impact on the Authority's defined benefit pension liabilities. The Authority has enhanced disclosure within the pension fund note to recognise the additional estimation uncertainty that these ongoing legal cases could have on the defined benefit pension schemes.	✓

Action plan for 2018/19 and follow up of 2017/18 external audit recommendations

We have set out below, based on our audit work undertaken in 2018/19, those risks and recommendations we consider are of a higher risk to the Authority that Management may wish to consider in the future. We have also completed follow up of our 2017/18 recommendations and this is reflected below for information.

Recommendation

Agreed management response

Pension scheme liabilities

As the initial IAS 19 valuation included within the draft accounts did not incorporate the impact of the McCloud/Sargeant case, the Authority has obtained a revised IAS 19 valuation from the scheme's actuary. This valuation increased the net liability by £349,000.

We are satisfied that following the adjustment (Appendix 2), the Authority has appropriately disclosed its share of the defined benefit pension schemes assets and liabilities within the financial statements in accordance with IAS 19.

In 2016, the Government announced that Public Sector Pension Schemes needed to review pension data which linked LGPS benefits to contracted-out employment and the State Pension. This is known as the Guaranteed Minimum Pension (GMP) data reconciliation review. The purpose of this review is to ensure that records held by the scheme and HMRC are correct. Where the data is incorrect then this could result in an overpayment or underpayment in pension. The treatment of overpayments has yet to be finalised by Scottish Ministers and the Authority has therefore excluded any potential impact from the IAS 19 defined benefit pension calculation. The Authority has considered the impact to be immaterial to the pension scheme as a whole, expected to be between 0.2% and 0.3% of scheme liabilities. We concur with Management's assessment and do not identify any material issues with the accounts.

Management Response:

Agreed. Management will engage with SPF and the Actuaries during 2019/20 to understand the impact of the case on the pension liability. We would also appreciate if Grant Thornton also kept us abreast of developments across the sector and that we also pick up this issue in our audit planning meetings for the 2019/20 accounts.

Timescale for implementation: 31 March 2020

Action Owner: Eilidh McKerry, Finance Manager

Scrutiny of annual accounts

We note that due to the timing of Board / Committee dates, the annual accounts were presented to the Board in advance of the Audit and Risk Committee. It is considered good practice that the Audit and Risk Committee would provide scrutiny of the financial statements prior to final consideration by the Board. We recommend that the Authority consider reviewing the schedule of meetings to allow the Audit and Risk Committee to review the financial statements for approval at the Board.

Management response: Noted. Our current process allows for Audit and Risk Committee members to provide scrutiny of the annual accounts through a discussion in advance of the Board meeting. The draft accounts are circulated to members in advance of this discussion, allowing members significant opportunity for scrutiny. The Board provides another opportunity for review and it is then the Audit and Risk Committee recommend signing by the CEO in his role as Accountable Officer. If any issues were raised at the Audit and Risk Committee that prevented the accounts being signed, the process would be to go back to the Board for re-consideration. The process for scrutiny of annual accounts will however be considered by the Audit and Risk Committee to determine whether any changes are required.

Timescale for implementation: 31 March 2020

Action Owner: Eilidh McKerry, Finance Manager/ Gordon Watson, Chief Executive

Follow up of 2017/18 External Audit Recommendations

Action as at May 2019

Financial scenarios

The Authority will review medium term financial projections and consider these with the Board when shaping financial strategy.

Ongoing

The 2019/20 Budget Paper presented to the Board included context around financial forecasts in 2020/21. However, this was limited to high level information and not an indicative financial forecast over the medium term. While we recognise the uncertainty around Scottish Government funding, it is important to support strategic decision making processes, the Authority has a longer term outlook on financial position. We continue to encourage the Authority to look to develop and report on medium term financial plans in the context of the delivery of the wider Corporate Plan 2018-23.

Fees, independence, fraud arrangements

External Audit Fee

Service	Fees £
External Auditor Remuneration	8,590
Pooled Costs	2,070
Contribution to Audit Scotland costs	510
Contribution to Performance Audit and Best Value	0
2018-19 Fee	11,170

The audit fee was calculated in accordance with guidance issued by Audit Scotland and agreed with Management.

The above fee has not changed and our final fee was £11,170

Fees for other services

Service	Fees £
We can confirm there are no non-audit fees for the 2018/19 financial year	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 Auditing Practices Board'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 Auditing Practices Board's Ethical Standards.

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 Joanne Brown, Head of Public Sector Assurance Scotland in the first instance 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.

Fraud arrangements

In assessing our audit risks, the audit team was alert to the possibility of fraud at the Authority.

As part of our audit work we are responsible for:

- identifying and assessing the risks of material misstatement of the financial statements due to fraud in particular in relation to management override of controls.
- Leading a discussion with those charged of governance (for the Authority this is assumed to be the Audit and Risk Committee) on their view of fraud. We did this when presenting our audit plan and in the form of management and those charged with governance questionnaires.
- designing and implementing appropriate audit testing to gain assurance over our assessed risks of fraud
- responding appropriately to any fraud or suspected fraud identified during the audit. – None were identified in-year

As auditors we obtain reasonable but not absolute assurance the financial statements as a whole are free from material misstatement, whether due to fraud or error.

We will obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement.

It is **Loch Lomond & The Trossachs National Park Authority's** responsibility to establish arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions
- developing and implementing strategies to prevent and detect fraud and other irregularity
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity.

Throughout the audit we worked with the Authority to review specific areas of fraud risk, including the operation of key financial controls.

We also examined certain policies in place, strategies, standing orders and financial instructions, as relevant to the fraud framework, to ensure that they provide a reasonable framework of internal control.

No suspected frauds or irregularities have been identified by Management and reported in-year.

Anti-Money Laundering Arrangements

As required under the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 there is an obligation on the Auditor General (as set out in the planning guidance) to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. Should we be informed of any instances of money laundering at the Authority we will report to the Auditor General as required by Audit Scotland.

Communication of audit matters with those charged with governance

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	•	•
We are independent of the Authority and have not identified any conflicts of interest		
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	•	•
We have not incurred any non-audit fees during the year and no threats to independence identified		
Significant matters in relation to going concern	•	•
No significant going concern matters identified		
Views about the qualitative aspects of the Authority accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Set out in the Financial statements Section		
Significant findings from the audit		•
No significant findings from our audit		
Significant matters and issues arising during the audit and written representations that have been sought		•
Letter of representation will be shared and signed by the Accountable Officer when signing the financial statements. This is our standard, unmodified letter of representation and includes reference to Cononish Bond accounting treatment		
Significant difficulties encountered during the audit		•
No difficulties encountered		
Significant deficiencies in internal control identified during the audit		•
None identified		
Significant matters arising in connection with related parties		•
None identified		
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
None identified. Quarterly nil fraud returns were submitted to Audit Scotland in accordance with the planning guidance.		
Non-compliance with laws and regulations		•
None noted		
Unadjusted misstatements and material disclosure omissions		•
None noted. Minor disclosure amendments only and these were not material in nature		
Expected modifications to the auditor's report, or emphasis of matter		•
None, an unqualified opinion		

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 above.

We communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Authority Management and the Audit and Risk Committee.

