



Cairngorms National Park Authority

External Audit Report to the Board, Accountable Officer and the Auditor General for Scotland for the financial year ended 31 March 2020

Final Report – October 2020

John Boyd
Engagement Leader

Jack McArthur
Engagement In-Charge



Our audit at a glance



We received the complete draft financial statements including the Performance Report, Accountability Report and Governance Statement within the timescales we agreed.

Working papers were provided to support the audit process and our queries were responded to, to allow the timely completion of audit work. This was greatly appreciated by the audit team as it allowed the audit to be delivered efficiently despite the challenges Covid-19 created with the need for remote delivery of the audit.



The Accountability Report is in line with our understanding of Cairngorms National Park Authority (“the Authority”) and in particular their vision and strategic priorities. The Governance Statement, included within the Accountability Report, outlines the governance framework. The Remuneration and Staff report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000, and directions thereunder. The disclosures in the Remuneration and Staff report are consistent with underlying payroll records.



We have fulfilled our responsibilities per International Standards on Auditing (ISAs) (UK) and the Audit Scotland Code of Audit Practice throughout our work. This final report to the Board, Accountable Officer and the Auditor General for Scotland concludes our work.

An audit
underpinned by
quality and adding
value to you



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



Significant audit risks were: management override of controls; the risk of fraud in expenditure recognition as set out in Financial Reporting Council’s (FRC) Practice Note 10: and, the risk of fraud in revenue recognition. An additional significant audit risk was identified in relation to Covid-19 which caused significant disruption to all public sector entities in the later half of March 2020.



Materiality was set at £165,920 for 2019/20. This was calculated using the materiality benchmark of 2% of gross expenditure as set out in our audit plan. We updated our materiality calculation based on the unaudited financial statements for 2019/20.

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Adding value through our external audit work

First and foremost our objective is to ensure we deliver a quality external audit which fully complies with International Standards on Auditing (ISAs) UK and the Audit Scotland Code of Practice (2016). By ensuring our audit is efficient and effective, underpinned by our quality arrangements, 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.

We have continued to build on our working relationship with management and our understanding of the Authority as an organisation. Despite the challenges of working remotely during the Covid-19 pandemic the audit was undertaken within agreed timelines. We were able to get the assurances required and complete our testing to conclude our audit.

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Introduction

Reporting

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2020.

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

Our report is addressed to the Accountable Officer for Cairngorms National Park (“the Authority”). In addition, in accordance with our reporting responsibilities the report is jointly addressed to the Auditor General for Scotland.

Once the accounts have been laid before parliament, the finalised audit report will be made publicly available on the Audit Scotland website (www.audit-scotland.gov.uk)

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

Structure of this report

As set out in our Audit Plan presented to the Audit and Risk Committee in draft in December 2019 and finalised on 28 February 2020, we consider in accordance with the Audit Scotland Code of Practice that the Authority meets the smaller body definition. Therefore full wider scope is not considered relevant.

However, as required in the Code of Audit Practice our report concludes on our audit of the annual report and accounts and certain aspects of the Authority’s arrangements as follows:

Financial statements including the Performance Report and Accountability Report (including governance statement) – Section 1

Disclosures in the governance statement and financial sustainability of the Authority – Section 2 and 3

Covid-19

As a result of the Covid-19 pandemic we considered whether an additional financial statement audit risk was required. We have recognised a further financial statement risk in relation to Covid-19. Further details on the risk identified and our response and conclusion to the risks are included within the Responding to Significant Risks section of the report.

Our opinion

For the financial year ended 31 March 2020 we have issued an **unmodified audit opinion** and that:

- the financial statements represent a true and fair view of the organisation for the year to 31 March 2020 and at the date of the statement of financial position.
- 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)

Materiality

Our audit approach was set out in our audit plan presented to the Audit and Risk Committee in December 2019 and finalised in February 2020. We updated our materiality calculation based on the unaudited financial statements for 2019/20. Overall materiality has been set at £165,920 approximately 2% of gross expenditure and performance materiality is set at £124,400, 75% of materiality. Our planned approach has not changed from that set out in our plan.

We report to management any difference identified over £8,296 which has been set at 5% of overall materiality. Below this threshold the adjustment is considered trivial.

Lastly we set a lower materiality level in respect of the remuneration report, given the interest to the users of the accounts. This was set at £2,500, linked to the bandings used.

Internal Audit

As set out in our external audit plan our audit approach is to comply with the ISA's and we do not place formal reliance on the work of BDO LLP, the Authority's internal audit provider during 2019/20. We have reviewed the internal audit plan and individual reports issued to date, to consider if any impact on our audit approach. Internal Audit concluded "*Based on our verification reviews and sample testing, risk management, control and governance arrangements were operating with sufficient effectiveness to give reasonable, but not absolute assurance that the related risk management, control and governance objectives were achieved for the period under review*".

The findings of internal audit are consistent with our knowledge and experience of the Authority. From our review we are satisfied that there were no areas arising from the work of internal audit that would impact on our audit opinion or require specific disclosure in the annual governance statement. We have no concerns that Internal Audit did not have sufficient capacity and capability to provide the internal audit service to the Authority.

Going forward internal audit services will be provided by Scott-Moncrieff who have been appointed the Authority's internal auditors from 2020/21.

Internal control environment

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

- Considered procedures and controls around related parties, journal entries and other key entity level controls.
- Performed walkthrough procedures of key financial processes including income and expenditure recognition, journal postings and payroll transactions.

Our work over controls is limited to our ISA requirements in understanding an entities control environment. Our audit is not controls based and we do not place reliance on controls operating effectively as our audit is fully substantive in nature. 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.

Responding to significant risks

Risk area	Identified audit risks at planning
Risk of fraud in expenditure recognition (as set out in FRC Practice Note 10)	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 including operational plan expenditure and other operating costs. We consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.
Work completed	
<ul style="list-style-type: none">• Walkthroughs of the controls and procedures over non-pay expenditure and other operating costs.• Performed substantive testing (at an elevated risk level) expenditure recognised post year end to identify if there is any potential understatement.• Testing post year end bank statements and review of minutes to identify any potential unrecorded liabilities.• Reviewing any accruals and deferred income around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimate.	
Our conclusion	
<p>Based on our testing we conclude:</p> <ul style="list-style-type: none">• We did not identify any exceptions in our cut-off testing of year end expenditure.• We did not identify any exceptions in the completeness and accuracy of accruals, deferred income or provisions balances at the year end.• Through our substantive procedures and sample testing we confirmed expenditure testing was in accordance with the nature of the Authority (regularity).	

Risk area

Management override of controls

Identified audit risks at planning

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 the Authority's controls for specific transactions.

We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement.

Work completed

- Considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- Reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2020 and retrospective review of those estimates as at 31 March 2019.
- Journals testing including:
 - Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
 - Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they are appropriate and suitably recorded in the financial ledger;
 - Considering areas of significant judgement or estimation for indication of management bias; and
 - Target testing of transactions around the financial year end, reviewing large journals and those which appear unusual to understand the rationale for the transaction.

Our conclusion

Based on our testing we conclude:

- There was no evidence of management override in our testing of controls.
- The Authority's financial statements do not include critical estimates and judgements;.
- We did not identify any unusual or significant transactions throughout the financial year or during the financial close period which were out with the ordinary operations of the Authority.

Risk area

Risk of fraud in revenue recognition

Identified audit risks at planning

As set out in ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In 2018/19, CNPA received £4 million in revenue funding 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 revenue stream as low and rebut the presumed risk around revenue recognition over revenue resource allocation. We therefore consider the risk of fraud in revenue recognition to be present in material revenue streams recognised within contract income, being project funding income (2018/19: £1.6 million) and other income (2018/19: £700,000).

As financial performance targets are primarily set for year end outturn position, including financial performance against the Scottish Government grant, we therefore consider the risk is prominent around year end revenue transactions and receivable balances. In the context of medium term financial pressures facing the organisation, there is an incentive for both over and understatement of revenue either to support the delivery of in year performance targets or to support next years. Consequently, at our planning stage we attach the risk to both occurrence and completeness of revenue. We will continue to assess this throughout the year.

Work completed

- Walkthroughs of the controls and procedures over project funding income and other income streams.
- Substantive testing (at an elevated risk level) income recognised pre and post year end to identify if there is any potential misstatement
- Substantive testing (at an elevated risk level) of income recognised in the final two months of the year to identify if this has been potentially overstated
- Review and sample testing of accrued income, prepayments and debtors including challenge of management over amounts recognised in year to gain comfort around the recoverability of balances at the year end.

Our conclusion

Based on our testing we conclude:

- We did not identify any exceptions in our cut-off testing of year end income.
- We did not identify any material misstatements arising from our testing of accrued income, prepayments and debtors at the year end or material concerns around the recoverability of balances.

Risk area

Covid-19

Identified audit risks at planning

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances would have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and restrict the evidence we can obtain through physical observation;
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates;
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Work completed

- Worked with management to understand the implications the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations;
- Evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- Evaluated whether sufficient audit evidence could be obtained through remote technology;
- Evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as recovery of receivable balances; and
- Evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

Our conclusion

Based on our testing we conclude:

- Covid-19 and remote working did not restrict the Authority's ability to prepare the financial statements or restrict the audit evidence required to complete the audit.
- The potential risk of Covid-19 on CNPA did not impact on our assessment of materiality.
- Management's assumptions underpinning financial forecasts and the going concern assessment have adequately considered the potential impact of Covid-19.
- We have not identified any significant impact on the Authority's debtor recovery, although acknowledge that the majority of these are with other public bodies
- During the audit we raised a disclosure adjustment for management to recognise the impact of Covid-19 within the governance statement and other sections of the annual report and accounts commentary on Covid and the impact on the governance arrangements (appendix 1).

Narrative elements of your annual accounts

In accordance with our responsibilities we have reviewed the 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.

Performance Report

The accountability report is in line with our understanding of the Authority, in particular the vision and strategic priorities of the Authority.

The Accountable Officer's statement is clear and easy to read.

Risks are articulated and aligned to the Authority's risk register. There is an opportunity to potentially provide the reader greater understanding of how these risks are being managed in the accounts.

Overall Observations

The Authority provided the annual report and draft set of accounts in line with our audit timetable despite the increased challenges presented by the Covid-19 pandemic which required 100% remote working.

There is potentially an opportunity for the Authority to use more infographics and supporting narrative, particularly around performance information, to help with focus performance to the reader of the accounts.

Annual Report and Accounts include the performance report and accountability report (including remuneration and governance)

Remuneration and Staff Report

Has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions thereunder.

The Executive and Non-Executive members reflected in the report have been correctly identified in accordance with the FReM. We raised some minor disclosure adjustments around the remuneration disclosures in year and these have been reflected in the updated draft accounts.

Governance Statement

As required by the FReM the Governance Statement is included in the Accountability Report and is in accordance with the FReM and SPFM.

There are no significant governance issues in the year which are required to be reported. We raised a disclosure adjustment for the Authority to include some further narrative on the impact of Covid-19 on governance arrangements in year (appendix 1).

The statement is supported by individual assurances to the Accountable Officer over key internal controls.

Key aspects of your financial statements

We consider key aspects of your financial statements in relation to management judgements including estimates and where management may have particular options or choices in what accounting standards or disclosure requirements to apply. We have summarised our conclusions below.

No new International Financial Reporting Standards (IFRS) have been adopted in the year as the adoption of IFRS 16 for public bodies has been delayed by a year as a result of the Covid-19 pandemic. The Accounting Policies followed by the Authority are in accordance with the FReM.

In relation to the audit risk of fraud in respect of income and expenditure recognition we tested the Authority's cut-off arrangements and identified no issues with the recognition period of transactions or in accruals which could indicate a higher risk of potential fraud.

There are no post balance sheet events or material legal uncertainties at year-end.



The Authority's accounts do not contain areas of significant estimation and judgement. The accounts reference estimates around the provision for LEADER irregularities however audit do not consider these to be material to the financial statements. Given the nature of the Authority's financial transactions, balances and operating activities we would not expect there to be areas of material uncertainty or judgement.

The authority does not generate a significant level of revenue and therefore is reliant on Scottish Government grant in aid funding to meet operating costs. The Scottish Government has confirmed funding for 2020/21 and there is no indication that the government would not continue to support the organisation continue to deliver its statutory obligations.

Management have considered forecasts for a period of at least 12 months from the proposed date of signing and are satisfied that the organisation continues to represent a going concern and based on our audit work performed we would agree this is a reasonable assessment at this point in time.

Recognising the Authority's statutory responsibilities and the relationship with the Authority and Scottish Government we agree with management and the Accountable Officers assessment that the Authority meets the going concern criteria.

The authority's financial arrangements

Financial Position 2019/20

During the year the Authority reported net operating expenditure of £4.897 million (2018/19: £4.585 million). This included capital grant issued of £175,000 funded through Capital funding. The overall outturn position against Resource Departmental Expenditure Limited was an underspend of £5,000 and broadly in-line with the Authority's budget. Capital expenditure of £240,000 was in line with budget including £65,000 on the acquisition of non-current assets and £175,000 of capital grants. With the social distancing and travel restrictions implemented in response to the outbreak of the Covid-19 pandemic, the Authority's operating activity has continued to be modified and adapted in response to the pandemic. This did not have a significant impact on the 2019/20 outturn position but is reflected in the Authority's 2020/21 financial forecasts.



Covid-19 response and governance arrangements

The Authority has established a governance framework to support the oversight and scrutiny of the Authority's delivery of the Corporate Plan and strategic objectives. This includes delegated responsibility to four committees: the Finance and Delivery Committee; the Staffing and Recruitment Committee and Planning Committee; and the Audit and Risk Committee. The Audit and Risk Committee leads the oversight of the systems of internal control, risk management and preparation of the financial statements. There is a commitment to transparency and public accountability with minutes and most papers of both the Board and Audit and Risk Committee meetings being published online as well as corporate documentations such as business plans and performance reports.



The Covid-19 pandemic has had substantial impact on the organisation's operations. The majority of the organisation's frontline operations within the National Park had to be temporarily closed and staff have been working from home remotely. While this resulted in changes in ways of working it did not have a material impact on internal financial control processes in the year as the Authority's core financial systems were able to support remote working.

As travel and social distancing measures are relaxed the Authority is looking at ways in which to remobilise services safely. The Authority has been working with key strategic partners including communities, businesses, local delivery bodies, national partners, and sectoral and non-governmental groups on the Authority's response as well as our plans for reopening and recovery. The Authority has reconsidered resource allocation for 2020/21 in light of COVID19 impacts, and agreed the implementation of a Seasonal Ranger Service to support the anticipated handling of additional visitor management impacts from the relaxation of lockdown arrangements.



Financial planning and sustainability

The Authority has been awarded Grant-in-aid funding for 2020/21 of £4.779 million, representing an increase of £52,000 from the prior year. The original agreed budget in March for 2020/21 projected a small overspend of £24,000 with a targeted breakeven position.

The outbreak of Covid-19 has had an adverse impact on the organisation and its ability to deliver services. The majority of the Authority's funding is from grant-in-aid funding or through other grant funding arrangements where the funding is designed to offset costs incurred such as the LEADER programme. The Authority has continued to receive support from a range of funding including The National Lottery Heritage Fund and through operational activities under the LEADER programme. In managing the potential reduction in operating activity as a result of the pandemic, the Authority has agreed extensions to the delivery timetables and funding periods covered through these funding schemes. It will be important that the Authority ensures that it maintain close monitoring of operating expenditure to ensure that the organisation continues to operate within available resources.

Over the medium 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 National Park Partnership Plan 2018-22 as well as relevant Scottish Government priorities. For 2020/21 the Authority has agreed grant-in-aid funding and budget in place. As grant- in-aid funding is only confirmed annually, there remains uncertainty around future levels of funding. The Authority has projected flat cash grant in aid settlement for 2021/22. The Authority has also taken measures through the agreement of extensions to LEADER programme and National Lottery Heritage Fund programme funding to support the organisation into 2021/22 and through this uncertain period. In the context of financial challenges faced particularly in responding to the impact of Covid-19, CNPA should continue review financial forecasts to ensure the organisation continues to remain robust and support the delivery of the organisation's strategic objectives.

Action plan point -1

Appendices

- Audit adjustments
- Action plan and recommendations
- Follow up of prior year recommendations
- Audit fees and independence
- Fraud arrangements
- Communication of audit matters

Audit adjustments

Uncorrected and corrected misstatements

We are pleased to report that there were no material uncorrected misstatements to the financial statements arising during our audit.

The following misstatements were corrected by Management during the course of the audit and reflected in the draft financial statements

Item		Dr (£'000)	(Cr) (£'000)	Description
1	Operating expenditure	70		<i>Being grossing up of programme income and expenditure</i>
	Operating income		(70)	
2	Creditor (Provisions)	148		<i>Being classification adjustment in in creditors note relation to classification of holiday pay accrual as accrual rather than provisions within Creditors note. Note prior year classification also amended (£152,300).</i>
	Creditor (Accruals)		(148)	

The following misstatements were corrected by Management to the cash flow statement:

	£'000
Cash flow purchase of property, plant and equipment	£18
Decrease in Trade and Other payables	(£18)

During the course of our audit work we identified a number of disclosure adjustments required to the draft financial statements. The following are those adjustments that have been adjusted for in the updated draft accounts.

Item	Description	Adjusted
1	Annual governance statement	Minor disclosure amendments including further narrative on impact of Covid-19.
2	Remuneration report	Disclosures amended to reflect underlying records including figures used in draft prior year.
3	Performance report	Some changes arising during the course of the audit around clarification of performance information.
4	Accounting policies	Disclosures including enhancing income disclosures to ensure consistent with IFRS 15.
5	Significant estimates and judgements	Removal of disclosures around significant estimates and judgements where these were not material to the financial statements.
6	Presentational adjustments	Presentational adjustments through Primary financial statements.
7	Investments	Adjustments to enhance disclosures in relation to historic capital contributions to the National Parks Partnership LLP.
8	Provisions	Disclosure of information around provisions recognised within the accounts.
9	Related party disclosures	Related party disclosures updated to reflect FReM disclosure requirements

During the course of our audit work we identified a number of disclosure adjustments required to the draft financial statements. The following are those adjustments that have not been adjusted for by Management on grounds of materiality. We are satisfied these are not material to the financial statements.

Item	Dr (£'000)	(Cr) (£'000)	Description
1	91		<i>Being balance of provisions incorrectly classified within creditors. Not adjusted as immaterial to the financial statements. (Note prior year impact immaterial).</i>
		(91)	

Disclosure misstatements – uncorrected

The following disclosure misstatements have not been corrected by management. We do not consider these to be material to the accounts and Management have agreed to review during the preparation of next years financial statements:

Significant Judgements: The Authority currently disclose significant estimates and judgements within Note 1 to the financial statements. However per IAS 1 these should be distinction between material estimation and significant judgements. Furthermore, there is an opportunity to enhance the disclosure in line with IAS 1. Where a judgement is to be disclosed these should clearly define the judgement, how the judgement has been considered by management and the impact on the accounts. Where a estimation uncertainty is disclosed, this should be areas where there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year arising from the estimation. Currently the accounts disclose uncertainty around the LEADER project however we do not consider these to represent a material level of estimation.

Accounting policies: Accounting policies do not explicitly refer to IFRS 15 and some of the description of the deferral of income is inconsistent with the requirements of the standard and out of date. In addition, the accounting policy for impairment does not define how impairment is considered in accordance with the methodology outlined within the FReM and IFRS 9. From our audit procedures performed we are satisfied that the recognition of income and expenditure is not materiality misstated and therefore do not consider the omission in accounting policies to be material.

Accounting policies: Opportunity to enhance accounting policy disclosures around Grant income, pension costs and trade payables to provide the reader greater understanding of the accounting treatment being adopted

We are satisfied that these are not material disclosure errors. Management has proposed that recommendations will be taken forward to future years financial statements.

External Audit Recommendations

We have set out below, based on our audit work undertaken in 2019/20, the one significant recommendation arising from our audit work.

Recommendation

1. Financial plans

Over the medium 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 National Park Partnership Plan 2018-22 as well as relevant Scottish Government priorities. For 2020/21 the Authority has agreed grant-in-aid funding and budget in place. As grant-in-aid funding is only confirmed annually, there remains uncertainty around future levels of funding. The Authority has projected flat cash grant in aid settlement for 2021/22. The Authority has also taken measures through the agreement of extensions to LEADER programme and National Lottery Heritage Fund programme funding to support the organisation into 2021/22 and through this uncertain period. In the context of financial uncertainty faced, particularly in responding to the impact of Covid-19, CNPA should continue review financial forecasts to ensure the organisation continues to remain robust and support the delivery of the organisation's strategic objectives.

Agreed management response

Management response: Action agreed. Chief Executive and Director of Corporate Services will continue to monitor 20/21 financial position and scenario plan around potential 21/22 financial settlements, liaising with the Board and Finance and Delivery Committee, with our standing objective of presenting a balanced budget delivering agreed strategic outcomes to the Board meeting in March 2021.

Action owner: Chief Executive & Director of corporate Services

Timescale for implementation: March 2021

Follow up of external audit recommendations

During our 2019/20 audit we did not identify any recommendations for management which would be of significant risk to warrant inclusion in this final report. During the year we have followed up on previous external audit recommendations. The results of this work is summarised below.

Performance report

The Performance report continues to be developed including graphical presentation of financial performance during the year. The Authority reports performance highlights and provided links to publicly reported performance information. The Authority's performance is built around the Cairngorms National Park Partnership Plan, the Corporate Plan and the Annual Operating Plan. The authority should look to continue to enhance the Performance Report to provide greater visibility of the Authority's performance against Corporate Plan objectives, identifying those key targets that it considers critical to these.

Complete

The 2019/20 financial report has been updated to include infographics particularly around financial performance. In addition the report provide information on key performance indicators throughout the year and the Authority's performance against these.

Audit fees and independence

External Audit Fee Service

Service	Fees £
External Auditor Remuneration	8,790
Pooled Costs	2,040
Contribution to Audit Scotland costs	490
Contribution to Performance Audit and Best Value	-
2019/20 Fee	11,320

Fees for other services

Service	Fees £
We confirm we have received no non-audit fees for the 2019/20 external audit	Nil

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.

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 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.

Fraud arrangements

The term fraud refers to intentional acts of one or more individuals amongst management, those charged with governance, employees or third parties involving the use of deception that result in a material misstatement of the financial statements. In assessing risks, the audit team is 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 relations 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. Typically we do 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.

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.

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 Cairngorms National Park Authority we will report to the Auditor General as required by Audit Scotland.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance including establishing and maintaining internal controls over the reliability of financial reporting effectiveness and efficiency of operations and compliance with applicable laws and regulations.

It is the 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 work with the Authority to review specific areas of fraud risk, including the operation of key financial controls. We also examine the policies in place, strategies, standing orders and financial instructions to ensure that they provide a strong framework of internal control.

All suspected frauds and/or irregularities over £5,000 are reported to Audit Scotland by us as your auditors on a quarterly basis.

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.

This document, our Annual Report is issued prior to approval of the financial statements and presents key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

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. No matters on going concern identified.	•	•
Views about the qualitative aspects of the Authority's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures. Set out on page 9 and 10 of this report.		•
Significant findings from the audit None identified.		•
Significant matters and issues arising during the audit and written representations that have been sought. Letter of representation obtained. No significant matters and issues identified.		•
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		•
Non-compliance with laws and regulations None identified.		•
Unadjusted misstatements and material disclosure omissions. None identified.		•
Expected modifications to the auditor's report, or emphasis of matter. No modifications to the report.		•



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. 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 the entity or all weaknesses in your internal controls.

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