Paper for noting

1. Purpose

1.1 This paper presents the draft accounts for 2013/14 to the Board and highlights the governance responsibilities of the Board, Audit Committee and Chief Executive. It also sets out the process to finalise the accounts in order to have the accounts signed and laid before Parliament in July 2014.

1.2 Appendix 1 of this document also presents the draft text for the annual report for review and feedback from Members. This will be finalised, formatted and prepared for publication as part of the approved 2013/14 Annual Report and Accounts.

1.3 The paper is marked “for discussion” to allow any comments around the governance arrangements raised in the paper or any points on the draft accounts to be addressed prior to the accounts being finalised.

2. Introduction

2.1 This paper presents the draft final accounts for the 2013/14 financial year to the Board. These accounts are prepared by the Authority on the basis of International Financial Reporting Standards (IFRS).

2.2 The accounts remain in draft pending final approval and completion of the independent external audit process by Audit Scotland. At the time of writing this paper notification has been received from Audit Scotland that they anticipate being able to issue an unqualified independent auditors report on the 24th June subject to satisfactory conclusion of any outstanding audit matters.

National Park Authority Governance Arrangements

2.3 In presenting these draft accounts, it is worthwhile to set the context of the governance arrangements for the National Park Authority (NPA) particularly with respect to responsibility for financial management and authorisation of accounts.

2.4 The governance and management arrangements for the NPA are set out in the Management Statement and Financial Memorandum (MSFM) agreed with the Scottish Government. The MSFM sets out the following key responsibilities of the Chief Executive, Board, Audit Committee and Scottish Ministers as regards final accounts.
2.5 The Chief Executive is designated as the Authority's Accountable Officer and is personally responsible for safeguarding all funds within the stewardship of the Non-Departmental Public Body (NDPB) for which she/he is charged. In terms of accounting for the Authority’s activities, the personal responsibilities of the Chief Executive in this role of Accountable Officer include responsibilities to:

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer’s responsibilities, for inclusion in the annual report and accounts;
- sign a Governance Statement regarding the Authority’s system of internal control, for inclusion in the annual report and accounts;
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the Authority.

2.6 The Chief Executive may delegate the day-to-day administration of his/her Accountable Officer responsibilities to other employees in the NPA. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

2.7 The Board of a NDPB such as the NPA has a corporate responsibility for ensuring that the Authority fulfils the aims and objectives set by the Scottish Ministers, and for promoting the efficient and effective use of staff and other resources by the NPA in accordance with the principles of Best Value. To this end, a responsibility of the Board is to ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of the Authority) are complied with.

2.8 The Board is also expected to demonstrate high standards of corporate governance at all times, including setting up and using an independent Audit Committee - in accordance with the guidance on Audit Committees in the Scottish Public Finance Manual (SPFM) - to help the Board to address the key financial and other risks facing the NPA.

2.9 The Audit Committee’s role and responsibilities are also set out in the SPFM. The Audit Committee is put in place to provide assurance on risk management, governance and internal control and to act as a source of independent advice on these matters to the Accountable Officer and Board. The Committee’s role as regards the accounts is to support the Accountable Officer with regard to their personal responsibilities for issues of risk, control and governance through a process of constructive challenge. The operation of the Committee also has a role providing the
National Park Authority Board Meeting
Agenda Item 5

2013/14 Draft Annual Report And Accounts

assurance required to underpin the Governance Statement provided by the Chief Executive.

2.10 The terms of reference of the Authority’s Audit Committee highlight responsibilities to:

- promote good practice in internal control and provide advice to the Chief Executive on the preparation of the Internal Control Statement;
- review the activity of the external auditors, including the external audit plan.

2.11 Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of the National Park Authority and laying of the annual report and accounts before the Parliament.

Process to Finalise Accounts

2.12 The draft accounts are presented to the Board at this time to allow members to discharge their responsibility for ensuring statutory and administrative requirements – in this case the preparation of a set of annual accounts – are being complied with.

2.13 The Audit Committee will meet on the 24th June to consider the final accounts prior to their sign-off and release by the Chief Executive. In line with its responsibilities, the Audit Committee will review the external auditor’s report on the 2013/14 external audit. The Committee will also consider and advise on the Governance Statement included within the accounts.

2.14 Once the accounts have been signed, the external auditor will complete and sign their Independent Auditor’s Report to be included in the accounts. This will then be submitted to the Auditor General’s office for review, and released to Scottish Government officers to allow the accounts to be laid before Scottish Parliament.

Summary of 2013/14 Accounts Reconciliation

2.15 The Authority’s gross expenditure for 2013/14 was £10,471k (2013/14 - £9,825k). After £8,450k of total Grant in Aid received, other income of £801k and interest received of £2k, the 2013/14 financial statements show a deficit of £1,218k (2013/14 - £296k surplus). This deficit includes an impairment of non-current assets of £1,930k in relation to the quinquennial asset revaluation.

Included within the deficit figure above are some significant non-cash items and Grant in Aid that is attributable to the addition of non-current assets. After excluding these items, see the table below, the financial result is a net expenditure position of £49k (2012/13 £104k net expenditure position).
National Park Authority Board Meeting
Agenda Item 5

2013/14 Draft Annual Report And Accounts

<table>
<thead>
<tr>
<th></th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deficit / (Surplus)</strong></td>
<td>1,218</td>
</tr>
<tr>
<td>Exclude Grant in Aid transferred for capital expenditure</td>
<td>1,393</td>
</tr>
<tr>
<td>Exclude non-cash items</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(404)</td>
</tr>
<tr>
<td>Impairment of non-current assets</td>
<td>(1,930)</td>
</tr>
<tr>
<td>Deficit on pension assets</td>
<td>(81)</td>
</tr>
<tr>
<td>Other pensions costs</td>
<td>(105)</td>
</tr>
<tr>
<td>Net book value of asset disposal</td>
<td>(42)</td>
</tr>
<tr>
<td><strong>Net Expenditure</strong></td>
<td>49</td>
</tr>
</tbody>
</table>

2.16 The Grant in Aid received in the year from Scottish Government was utilised in full.

2.17 The table below provides a high level summary of the year end results for 2013/14 for ease of reference, focusing in particular on the Authority's use of Scottish Government resource allocations. The formal statutory accounts document attached provides a detailed analysis of the financial results (subject to final clearance with Audit Scotland).

<table>
<thead>
<tr>
<th>Expenditure financed by GIA</th>
<th>GIA award (£000)</th>
<th>Outturn (£000)</th>
<th>Variance (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Departmental Expenditure Limit (DEL)</td>
<td>6,498</td>
<td>6,503</td>
<td>(5)</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>1,952</td>
<td>1,947</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total Grant in Aid</strong></td>
<td><strong>8,450</strong></td>
<td><strong>8,450</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td>Non-cash DEL (depreciation)</td>
<td>774</td>
<td>435</td>
<td>339</td>
</tr>
<tr>
<td>Expenditure classified as Annually Managed Expenditure (AME)</td>
<td>0</td>
<td>2,468</td>
<td>(2,468)</td>
</tr>
</tbody>
</table>
National Park Authority Board Meeting  
Agenda Item 5

2013/14 Draft Annual Report And Accounts

<table>
<thead>
<tr>
<th>Expenditure financed by other income</th>
<th>Income (£000)</th>
<th>Expenditure (£000)</th>
<th>Variance (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenditure</td>
<td>954</td>
<td>1,053</td>
<td>(99)</td>
</tr>
</tbody>
</table>

3. Conclusion

3.1 Following the Board’s review of the Annual Report and Accounts 2013/14, we expect to receive final External Audit clearance in time for the finalised report to be presented to the Audit Committee on the 24th June 2014 for consideration prior to the Chief Executive approving and signing the accounts. The accounts will then be released to Scottish Government officers to allow the accounts to be laid before Scottish Parliament.

4. Recommendation

The Board are asked to:

4.1 Note the draft Annual Report and Accounts for 2013/14 (subject to final External Audit clearance).

4.2 Note the accounts are anticipated to be recommended by the Audit Committee to be signed by the Chief Executive following consideration of the final draft by the Board’s Audit Committee on the 24th June 2014.

4.3 Note that the Board will be informed of any material changes to the accounts in the finalisation process.

4.4 Note that it is the Chief Executive’s personal responsibility to sign the accounts under the Management Statement and Financial Memorandum with Scottish Government, taking into consideration the views of professional advisors, auditors and Board and Audit Committee members.

Author: Catriona Morton, Finance & Performance Manager  
Executive Sponsor: Jaki Carnegie, Director of Corporate Services