



# **Loch Lomond and The Trossachs National Park Authority**

Proposed Annual Audit Report  
2014/15

Prepared for members of the Loch Lomond and The  
Trossachs National Park Authority and the Auditor  
General for Scotland

June 2015

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This report has been prepared for the use of the Loch Lomond and The Trossachs National Park Authority and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the audit committee and the financial statements have been laid before parliament. The information in this report may be used by Audit Scotland in any reporting to the Scottish Parliament.

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# Key Messages

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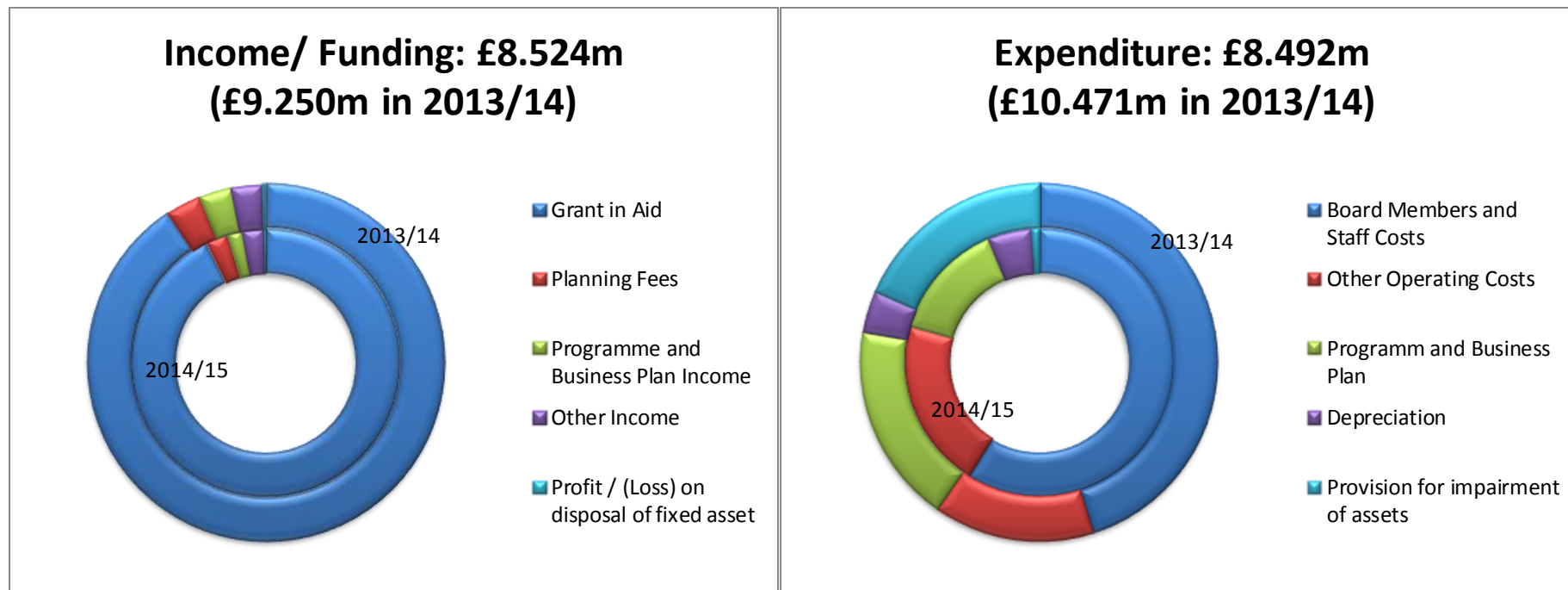
|   |   |
|---|---|
| <p><b>Audit of financial statements</b></p>           | <ul style="list-style-type: none"> <li>• Unqualified independent auditor's report (audit certificate) on the 2014/15 financial statements.</li> <li>• Officers provided excellent support to the audit team.</li> <li>• £209,000 adjustment to the accounts to derecognise land capitalised under operating leases, as required by IAS 17. There remains an unadjusted error of £19,000 of land which has not been adjusted and is still capitalised. This is immaterial and will be adjusted in 2015/16.</li> <li>• There is uncertainty regarding LLTNPA's title to Milarrochy Visitor Centre. This appeared to be due to an error in the land certificate. As there did not appear to be a dispute regarding the title, no adjustment was required to the accounts.</li> </ul> |
| <p><b>Financial management and sustainability</b></p> | <ul style="list-style-type: none"> <li>• Scottish Government core grant-in-aid ("GIA") funding for the year was £7.896 million.</li> <li>• LLTNPA overspent its Resource Department Expenditure GIA by £126,000 and its overall GIA by £435,000. However, it received approval from the Scottish Government for the overspend.</li> </ul>   |
| <p><b>Governance and transparency</b></p>             | <ul style="list-style-type: none"> <li>• The Authority had sound governance arrangements in place during 2014/15.</li> <li>• Gordon Watson was appointed as Chief Executive in January 2015, to replace Fiona Logan. There was a smooth transition and sound arrangements were put in place to give Gordon Watson the necessary assurances to sign the annual report and accounts.</li> </ul>   |
| <p><b>Best value</b></p>                              | <ul style="list-style-type: none"> <li>• The Park Authority has now undertaken a Best Value Review. This considered Scottish Government guidance. Management developed an Action Plan to address areas for improvement.</li> </ul>  |
| <p><b>Outlook</b></p>                                 | <ul style="list-style-type: none"> <li>• LLTNPA should develop long-term financial plans and seek to operate within its GIA in 2015/16.</li> <li>• LLTNPA should clarify the land certificate for Milarrochy Bay Visitor Centre and undertake a review of all assets to ensure that the Park Authority has title to them.</li> </ul>  |

# Introduction

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1. This report is a summary of our findings arising from the 2014/15 audit of Loch Lomond and The Trossachs National Park Authority (“LLTNPA”/ “the Park Authority”).
2. The Park Authority and the Chief Executive, as the Accountable Officer, are responsible for:
  - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
  - ensuring the regularity of transactions, by putting in place systems of internal control
  - maintaining proper accounting records
  - preparing and publishing with their financial statements an annual governance statement and a remuneration report.
3. Our responsibility, as the external auditor of LLTNPA, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at appendices 2 and 3.
6. Appendix 4 is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that the Park Authority understands its risks and has arrangements in place to manage these risks. The Audit Committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

# 2014/15 financial statements



The financial statements show that Scottish Government core grant-in-aid funding was £7.896 million in 2014/15. Income from activities totalled £628,000, of which the largest amount related to Planning Fees (£223,000). Overall expenditure decreased by £1.979m from £10.471million in 2013/14 to £8.492 million in 2014/15. This was due to a £1.846 million decrease in impairments as the quinquennial asset revaluation took place in 2013/14, resulting in a large, one-off cost. The Park Authority overspent its Grant in Aid on a cash basis, as outlined in paragraph 35 below, and received approval from the Scottish Government for this.

# Audit of the 2014/15 financial statements

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## Audit opinions

### Financial Statements

- The financial statements of the Park Authority for 2014/15 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.
- We confirm that the financial statements have been properly prepared in accordance with the 2014/15 FReM and the requirements of the National Parks (Scotland) Act 2000 and directions.

### Regularity

- In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

### Other prescribed matters

- The remuneration report to be audited has been properly prepared in accordance with the requirements of the National Parks (Scotland) Act 2000 and directions.
- The information in LLTNPA's annual report, strategic report and directors' report is consistent with the financial statements.

## Submission of financial statements for audit

8. We received the unaudited financial statements on Monday 18 May 2015, in accordance with the agreed timetable.
9. We completed our on-site audit testing on Friday 22 May. We performed further work off-site work during the weeks commencing 25 May and 1 June 2015 to resolve a number of presentational and monetary errors.
10. Throughout the audit, staff provided excellent support to the audit team, allowing us to resolve a number of issues identified. As a result, we were able to issue an unmodified audit opinion and sign and certify the accounts at the 23 June Audit Committee, in accordance with the agreed timetable. We would like to express our thanks to LLTNPA's staff for their help throughout the audit.

## Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 20 March 2015.
12. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15

agreed fee for the audit was £10,200 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

13. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.
14. Appendix 1 sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

16. Materiality can be defined as the maximum amount which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. In addition, a misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law).

## Audit of the 2014/15 financial statements

17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
18. We summarised our approach to materiality in our plan. Based on the financial statements, we revised materiality for 2014/15 to £84,923 (planning materiality set at £85,000) based on actual expenditure for the year.
19. We also set a lower level, known as performance materiality, when defining our audit procedures. This level depends on professional judgement and is informed by a number of factors including:
  - extent of estimation and judgement within the financial statements
  - nature and extent of prior year misstatements
  - extent of audit testing coverage.
20. Performance materiality has been set at £59,446 (i.e. 70% of materiality).

## Evaluation of misstatements

21. We report all misstatements greater than £1,000. During the audit, we identified the following errors, which management did not correct. These errors are below our materiality threshold,

and therefore, we are content with the approach taken. We have reported these in the next section.



## Significant findings from the audit

22. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit as detailed below:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
- Significant difficulties encountered during the audit.
- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

23. A number of minor presentational and disclosure issues were identified during the course of the audit. In addition, one monetary error was identified within the financial statements. These were discussed with management who agreed to amend the financial statements.

24. The impact of the adjustments made to correct the monetary errors identified was to decrease Property Plant and Equipment by £209,000 and decrease the Revaluation Reserve by £209,000.

25. The following table details those issues or audit judgements that, in our view, require to be communicated to you in accordance with ISA 260.

## Significant findings from the audit in accordance with ISA260

### Capitalisation of Leased Assets

**Leasehold Land:** During the audit, we found that LLTNPA capitalised £228,000 of leasehold land in its Statement of Financial Position. Under IAS 17, only finance leases can be capitalised. Following analysis of the leases, we found that the land capitalised was held under operating leases and therefore, should not be capitalised. The Park Authority derecognised £209,000 of the land, as it had sufficient balances in its revaluation reserve to make these adjustments fully through its reserves. Management decided not to make an adjustment to the 2014/15 accounts to derecognise the remaining £19,000 of land held at Loch Lubnaig, but it will make an adjustment in the 2015/16 financial statements. The effect of this error is to overstate Property, Plant and Equipment by £19,000 and understate Net Expenditure by £19,000.

**Leasehold Buildings:** We also considered whether LLTNPA should capitalise the building it holds under leases. In all but two instances, management advised that LLTNPA or its statutory predecessors built the buildings capitalised. However, we found that two of the assets were held under finance leases. Under IAS 17 paragraph 20, the Park Authority should recognise a creditor at the minimum of (i) the present value of future lease repayments, or (ii) the present value of the asset. The annual rent for these properties is £5 and £1. Therefore, the total value of future lease repayments is less than £1,000. Management did not make an adjustment to the 2014/15 account to recognise this finance lease creditor.

Neither the unadjusted errors for leasehold land or buildings was above our materiality level. Therefore, we are content with the approach taken by management.

**Appendix 4 – Action Plan No. 1**

## Significant findings from the audit in accordance with ISA260

### Millarrochy Bay

During our sample testing of LLTNPA's ownership of its land and buildings, we identified an issue with the Park Authority's title to Milarrochy Bay Visitor Centre. Several years ago, LLTNPA built a visitor centre on land that it believed it owned. It also leased land adjacent to the visitor centre. However, from review of the land certificate, it appeared that the Visitor Centre had not been built on land owned by the Park Authority. It was not clear whether the building was on land covered by LLTNPA's lease.

The Park Authority obtained a legal opinion from its solicitors, which confirmed that there appeared to be an error in the title plan. The previous registered title appeared to cover the land on which the Visitor Centre was built. However, LLTNPA's solicitors believed that the previous title had not been correctly transposed to the latest title plan. Management agreed to instruct surveyors to determine the extent of LLTNPA's title and seek to rectify the registered title.

We considered that, as there was currently no dispute over the ownership of the Visitor Centre, LLTNPA could continue to recognise this asset in its Statement of Financial Position. However, the Park Authority should undertake a review of all of its assets to confirm that its title covers the assets.

**Appendix 4 – Action Plan Nos. 2 and 3**

### Capitalisation of Staff Time

In 2014/15, LLTNPA capitalised staff time on assets it built during the financial year. A total of £203,000 of staff costs were treated as capital costs for the purposes of reporting to the Scottish Government on LLTNPA's Grant in Aid outturn. Of this £203,000, £108,562 of staff costs were capitalised on LLTNPA's Statement of Financial Position. The remaining £94,855 was recorded as Programme and Business Plan Costs.

We found that this cost included staff time spent on training. This error amounted to staff costs being understated by £2,905, Property Plant and Equipment being overstated by £1,355 and Business Plan and Programme Expenditure is overstated by £1,550. Management decided not to adjust the accounts in respect of this. This error did not have an impact on LLTNPA's net expenditure. In future years, the Park Authority anticipates that the level of capitalised staff costs may be higher. As a result, the effect of this error could be greater.

**Appendix 4 – Action Plan No. 4**

## Future accounting and auditing developments

### *Revisions to the Financial Reporting Manual (FReM)*

26. The financial statements are prepared in accordance with the Government financial reporting manual (FReM). Two significant revisions will apply from 2015/16:
- Simplification and Streamlining Project – changes to the form and content of the annual report and accounts.
  - Adoption of IFRS13 *Fair value measurement* for the first time – this also includes IAS 16 and IAS 38 adaptations.
27. **Restructuring of the annual report:** the 2015/16 FReM has been extensively re-written to require the annual report and accounts to include:
- A performance report which will give a fair, balanced and understandable analysis of performance and will include an overview section and a performance analysis section.
  - An accountability report incorporating the following three main sections:
    - corporate governance report consisting of a directors' report, a statement of the Accountable Officer's responsibilities and a governance statement

- remuneration and staff report which will cover a number of prescribed disclosures including remuneration policy, payments to directors, staff numbers and sickness absence rates
- parliamentary and accountability report which will include information on the regularity of expenditure and the independent auditor's report.

### Appendix 4 – Action Plan No. 5

28. **International Financial Reporting Standards (IFRS) 13 Fair value measurement:** sets out the requirements for assets to be valued at fair value and is applied in full by the FReM only to assets that are not held for their service potential (i.e. investment properties and assets held for sale). It also applies to operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market.
29. IFRS 13 does not apply to operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal. These will be valued in accordance with the adaptations to IAS (*International Accounting Standard*) 16 *property, plant and equipment*.
30. As the Park Authority does not hold any assets of this nature this will not impact upon their 2015/16 financial statements.

# Financial management and sustainability

31. The arrangements for budget setting and monitoring in place are sound, with management exercising a close control over expenditure and reporting financial results quarterly to the board.

## 2014/15 financial position

32. As shown in the table below, the Authority’s Resource Departmental Expenditure Limit (DEL) allocation for 2014/15 was £6.404 million. This was based on the final Grant in Aid allocation from the Sponsor Department as of 2 April 2015.

| SG Funding 2014/15                   | Allocation (£m) | Drawn Down (£m) | Variance (£m) |
|--------------------------------------|-----------------|-----------------|---------------|
| Resource DEL                         | 6.404           | 6.530           | (0.126)       |
| Capital DEL                          | 1.492           | 1.492           | 0.000         |
| Non Cash (Depreciation)              | 0.500           | 0.443           | 0.057         |
| Annually Managed Expenditure (“AME”) | 1.050           | 1.416           | (0.366)       |

33. The main financial objective of the Authority is to ensure that financial year is within the resource budget allocated by Scottish Ministers.

34. The 2014/15 financial statements show that on the Park Authority overspent its Resource DEL by £126,000 and its AME by £366,000. LLTNPA received approval from its Sponsor Branch for its Resource DEL and Capital DEL overspends.

35. On an income and expenditure basis, the financial statements show a surplus of £33,000. However, this surplus includes grant-in-aid transferred for the purchase of non-current assets (£1.083 million) and some additional significant non-cash items of expenditure (£0.926 million). This includes depreciation (£0.443 million), impairment on non-current assets (£0.080 million) and pension related costs (£0.403 million). Removing these balances show net expenditure of £0.124 million at 31 March 2014.

36. Net assets, as outlined in the Statement of Financial Position, have decreased by £1.702 million to £4.269 million (13/14 £5.971 million). This is largely as a result of an increase in the pension fund liability of £2.084 million, which is offset by an increase in Property Plant and Equipment by £495,000. There have been other movements, including a decrease in cash and cash equivalents by £187,000 and a £209,000 adjustment to decrease Property Plant and Equipment to recognise leasehold land held under operating leases (see paragraph 25 above).

## Financial management

37. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the officer responsible for finance has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the body
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - members provide a good level of challenge and question budget holders on significant variances.
38. Based on our accumulated knowledge, our review of relevant board papers and through our attendance at committees we conclude that the Authority has sufficient financial management arrangements in place.

## 2015/16 and beyond

39. In our 2013/14 Annual Audit Report, we reported that the Park Authority had not developed long-term financial plans. We have confirmed with management that they have not developed any

specific longer term financial plans in 2014/15.

40. As per the approved 2015/16 budget, the Park Authority's core Scottish Government funding for 2015/16 will be £7.398 million which is a decrease of £173,000 from 2014/15. This includes capital grant in aid of £1 million. Total income is forecast at £8.027 million of which the majority will come from GIA (£7.398 million), planning fees (£220,000), project income (£238,000) and property rental (£156,000).
41. LLTNPA is forecasting a £105,000 overspend in 2015/16. As in previous years, the Park Authority over-programmes its expenditure, to ensure that a bank of projects was ready should additional funding become available during the financial year. However, LLTNPA has overspent its GIA in 2014/15 and does not currently have long-term financial plans. Therefore, the Park Authority should closely monitor its 2015/16 to ensure that it operates within its Grant in Aid budget.

### Appendix 4 – Action Plan No. 6

## Contingent Asset

42. The Park Authority continued to disclose a contingent asset in the 2014/15 accounts for three monetary bonds totalling £1.332 million. Scotgold Resources Limited submitted a planning application for the development of a gold and silver mine in Cononish Glen. As a condition of the planning application being successful, Scotgold must fully reinstate the development site at the end of the mining operating period of ten years. In order to ensure this is done, Scotgold have lodged bonds of £1.332 million which will become receivable by the Authority if they fail to reinstate the land. In this case, the Authority would use the bonds to undertake the reinstatement work. The Park Authority does not yet hold these bonds as the planning application is progressing. Management should ensure that, if they are required to reinstate the land, sufficient funds are available.

## Governance and transparency



## Corporate governance

43. The Board and Chief Executive (as Accountable Officer) are responsible for establishing arrangements for ensuring the proper conduct of the affairs of the Authority and for monitoring the adequacy of these arrangements.
44. The members of the Board are appointed by the Scottish Ministers and elected. The strategic direction and performance

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of the Authority is governed by the Board.

45. The LLTNPA Board currently has 17 members including the Convener. It comprises those who are directly appointed by Scottish Ministers, those locally elected and those nominated to the Board by the five councils in the park area.
46. The Park Authority has two committees in operation which are required to meet regularly throughout the year, namely the Audit Committee and the Planning and Access Committee. LLTNPA has other groups in operation, these include the Local Access Forum, the Planning Forum, the Local Review Body, Strategy Committee and Delivery Group.
47. The Audit Committee has the direct responsibility for overseeing the Park Authority's arrangements for corporate governance and provides the Accountable Officer with assurance as to the Park Authority's compliance. The committee considers all internal and external audit reports and ensures any issues raised are addressed.
48. During the year, Fiona Logan resigned as Chief Executive and Accountable Officer, leaving on 16 January 2015. She was Chief Executive and Accountable Officer since 2008. Gordon Watson was appointed as the new Chief Executive and Accountable Officer from 17 January 2015. He was previously the Park Authority's Director of Operations.

## Transparency

49. The Scottish Government's On Board guidance (<http://www.gov.scot/Publications/2015/04/9736/0>), for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
  - holding an annual open meeting
  - holding board meetings in public unless there is a good reason not to
  - publishing summary reports and/or minutes of meetings
  - inviting evidence from members of the public in relation to matters of public concern
  - consulting stakeholders and users on a wide range of issues
  - making corporate plans and the annual report widely available.
50. Audit Scotland also believes in transparency of financial reporting within the Annual Report and Accounts including:
  - a clear reconciliation between expenditure and the outturn against Scottish Government Resource budgets.
  - identification of, and explanation of, any significant



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movements in budget during the year.

51. Overall we concluded that the Park Authority is open and transparent. In particular, we note that Board and Audit Committee meetings are held in public and advertised on the Park Authority's website.

## Internal audit

52. As part of our risk assessment and planning process we assessed the work of LLTNPA's internal auditors, KPMG LLP. We concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. We were therefore able to rely on their work in terms of their payroll testing and our wider Code of Audit Practice responsibilities.

## Shared Services

53. LLTNPA continues to work with Cairngorms National Park Authority on progressing shared services. The two park authorities currently work together on procurement, IT services, Geographic Information Systems (GIS) and health and safety.
54. KPMG provides the Internal Audit function to both Park Authorities. However, the shared Internal Audit contract is coming to an end in 2015/16. As such, LLTNPA will need to

undertake procurement for the Internal Audit service.

55. The Park Authorities hold regular meetings to monitor progress and to discuss options for shared services going forward. LLTNPA should ensure that where appropriate and effective, shared services are considered for service delivery.

## IT Strategy

56. LLTNPA has not developed an IT Strategy. We have been advised by management that the Park Authority will develop an IT Strategy during 2015/16.

## Staff Register of Interests

57. The Park Authority does not have a register of interests for its staff. We have been advised that management is currently developing a policy for a staff register of interests. This is expected to be complete during 2015/16.

## Contingent Liability

58. LLTNPA had disclosed a contingent liability in its draft accounts. This was for £750,000 in respect of a personal injury action brought against the Park Authority. The Park Authority had been successful at the Outer House of the Court of Session, however the Pursuer appealed this decision. On 3 June 2015, the Inner House of the Court of Session denied the appeal. Therefore, the Park Authority removed this disclosure

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from its audited annual report and accounts.

### Arrangements for the prevention and detection of fraud

59. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
60. There were no instances of fraud or corruption reported by LLTNPA in 2014/15.
61. We assessed the arrangements for the prevention and detection of fraud during the planning phase of our audit.
62. We concluded that there are effective arrangements for the prevention and detection of fraud, although it should be noted that no system can eliminate the risk of fraud entirely.

### Slipway Income

63. During our interim visit in January 2015, we identified control weaknesses in the Park Authority's arrangements for the handling and recording of income at the Duncan Mills Memorial Slipway. The total income received during 2014/15 from the Slipway is £61,760. This is in excess of our performance materiality level of £59,446. We performed substantive testing of a sample of weekly takings and did not find any significant errors. Management are currently undertaking a review of

controls in operation.

### Arrangements for maintaining standards of conduct and the prevention and detection of corruption

64. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

### Arrangements for securing Best Value

65. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
66. During 2014/15, the Park Authority undertook a best value self-assessment. This concluded that the Park Authority scored well, however an action plan was drafted to follow up areas of improvement. The results of this review are due to be presented to the June 2015 Audit Committee.

## Appendix 1 – Significant audit risks

The table below sets out the financial statement audit risks identified in our 2014/15 Annual Audit Plan, how we addressed each risk, and our judgement in arriving at our opinion on the financial statements.

| Audit Risk  | Planned assurance procedure  | Results and conclusions   |
|---|--|---|
| <p><b>New Chief Executive</b></p> <p>The Chief Executive and Accountable Officer left LLTNPA in mid-January 2015 and was replaced by Gordon Watson, Director of Operations. Although he is an experienced officer, senior management changes in any organisation present a key risk to its operations. It is important that the necessary assurances are provided to the incoming Chief Executive to allow him to sign the governance statement included in the 2014/15 accounts.</p> | <p>At year-end, we will review the procedures that are in place to give the new Chief Executive assurance over the 2014/15 accounts, to enable him/her to sign the accounts.</p> | <p>To enable the new Chief Executive and Accountable Officer to sign the 2014/15 Annual Report and Accounts, including the Governance Statement, an “Accountable Officer Pack” was provided by management. We reviewed this as part of our year-end audit and confirmed that this was appropriate.</p> <p><b>Satisfactory</b></p> |
| <p><b>Capitalisation of Staff Time</b></p> <p>The Park Authority proposes to capitalise staff time. There is a risk that LLTNPA does not correctly capitalise staff costs. LLTNPA will require to provide evidence of staff time engaged on capital projects to support any proposed capitalisation of staff time. We will substantively test this at the financial statements audit.</p>   | <p>We will substantively test the capitalisation of staff costs.</p>   | <p>We substantively tested the Park Authority’s capitalisation of staff time.</p> <p>As part of this, we found an error of £2,905 in the assumptions LLTNPA applied. We have reported this error at paragraph 25 above. This error was significantly below our materiality threshold.</p> <p><b>Satisfactory</b></p>              |

## Appendix 1 – Significant audit risks

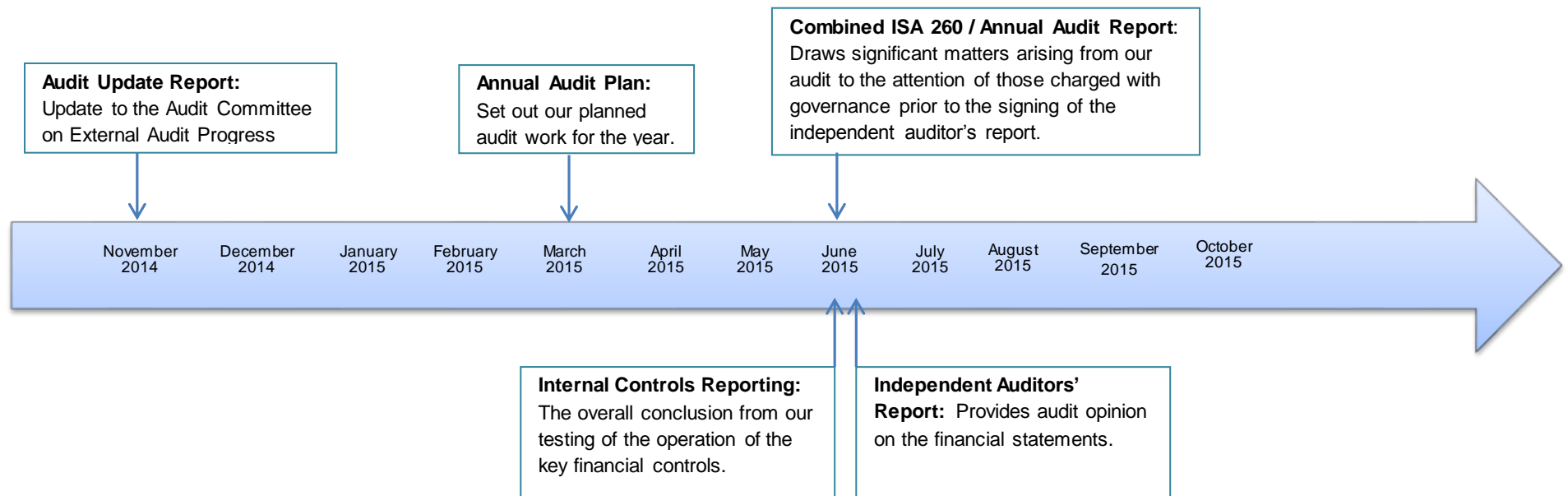
| Audit Risk   | Planned assurance procedure  | Results and conclusions  |
|--|--|--|
| <p><b>Identification and Assessment of the Risks of Material Misstatement Due to Fraud in revenue recognition</b></p> <p>Based on the material levels of income collected by the audited body (2013/14 £830,000), there is a presumption that there are risks of fraud in revenue recognition.</p>   | <p>We will perform controls testing over the trade receivables system to confirm that the procedures over revenue recognition are working effectively.</p>   | <p>Our controls testing identified controls weaknesses over the handling and recording of income at the Duncan Mills Memorial Slipway. This included a lack of segregation of duties when handling, processing and recording income.</p> <p>As a result, we performed substantive testing. No significant errors were identified.</p> <p><b>Satisfactory</b></p> |
| <p><b>Approval of severance, early retirement and redundancy terms</b></p> <p>The Scottish Government has announced a recent amendment to the Scottish Public Finance Manual. Central government bodies are required to consult with the Scottish Government before offering or entering into any settlement agreement, by submitting a business case.</p> <p>There is a risk that the Park Authority does not comply with the revised requirements of the SPFM.</p> | <p>We will obtain relevant supporting documentation for any redundancy or compensation for loss of office payments made during the year as part of the 2014/15 financial statements audit. We will review these to ensure they comply with the revised SPFM.</p> | <p>We substantively tested the two exit packages the Park Authority agreed in 2014/15. We confirmed that LLTNPA did not agree any settlement agreement requiring prior Scottish Government approval in 2014/15.</p> <p><b>Satisfactory</b></p>   |

## Appendix 1 – Significant audit risks

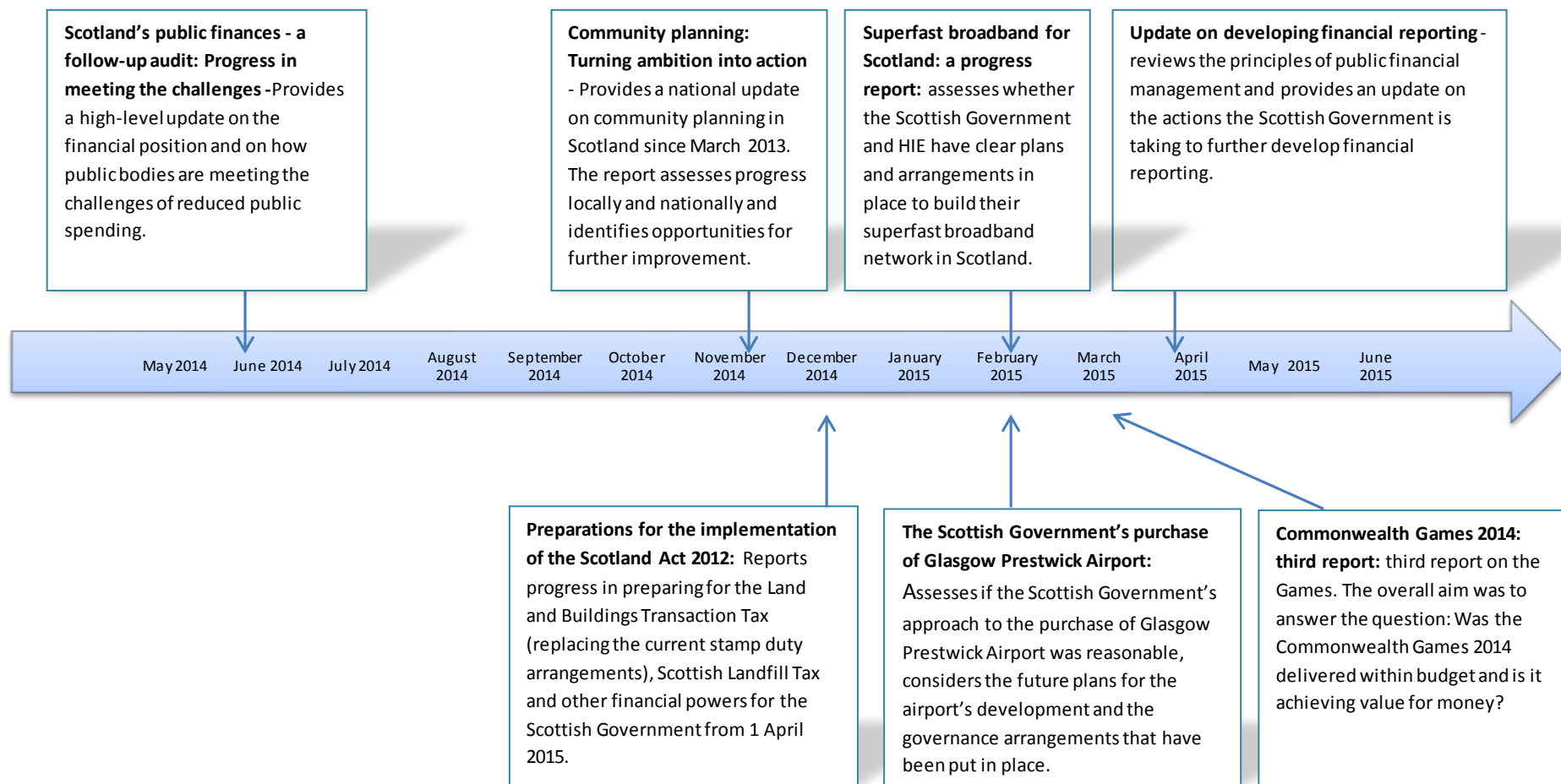
| Audit Risk  | Planned assurance procedure   | Results and conclusions   |
|---|---|---|
| <p><b>Risk of management override of control</b></p> <p>Management has the ability to override controls.</p> <p>There is an inherent risk that management manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p> | <ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Evaluation of any significant transactions that are outside the normal course of business.</li> </ul> | <p>We performed substantive testing of journal entries, review of accounting estimates and sought to identify any significant unusual transactions. No issues were identified.</p> <p><b>Satisfactory</b></p> |

# Appendix 2 – Summary of local audit reports 2014/15

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# Appendix 3 – Summary of national reports 2014/15



## Appendix 4 – Action plan

| No. | Para/page           | Issue   | Management action/response  | Responsible officer            | Target date   |
|-----|---------------------|---|---|--------------------------------|---------------|
| 1   | Para 25/<br>page 9  | <p><b>Capitalisation of Leasehold Assets</b></p> <p>LLTNPA should derecognise the £19,000 of land held on its Statement of Financial Position in respect of Lubnaig. This land is held under an operating lease, and as such, should not be capitalised under IAS 17.</p>   | An adjustment will be made in the 2015/16 financial statements to recognise this as a loss in the Statement of Comprehensive Net Expenditure and derecognise this asset from the Statement of Financial Position. | Financial Performance Manager. | 31 March 2016 |
| 2   | Para 25/<br>page 10 | <p><b>Millarrochy Bay Visitor Centre</b></p> <p>There is uncertainty as to the LLTNPA's ownership of Milarrochy Bay Visitor Centre. The Park Authority should prioritise action to clarify the uncertainty regarding its title to the Visitor Centre. There is a risk that LLTNPA does not have title to the land on which the Visitor Centre has been built.</p> | The Park Authority will instruct surveyors to determine the extent of LLTNPA's title and seek to rectify the land certificate if required.  | Governance Manager.            | 31 March 2016 |



## Appendix 4 – Action plan

| No. | Para/page           | Issue  | Management action/response  | Responsible officer                  | Target date          |
|-----|---------------------|--|---|--------------------------------------|----------------------|
| 3   | Para 25/<br>page 10 | <p><b>Review of Assets</b></p> <p>Given the issue with the title to Milarrochy Bay Visitor Centre and the capitalisation of land held under operating leases, the Park Authority should review all of its assets and confirm whether it has title to the land and buildings.</p>   | <p>A review of land and buildings will be carried out over the course of the year. This will require resource to be redirected and it may not be possible to achieve a full review within one year.</p> | <p>Governance Manager</p>            | <p>31 March 2016</p> |
| 4   | Para 25/<br>page 10 | <p><b>Capitalisation of Staff Training Costs</b></p> <p>In 2014/15, LLTNPA capitalised staff training costs. In future years, LLTNPA should seek to amend its assumptions when capitalising staff costs to ensure that only those costs allowed under IAS 16 are capitalised. In particular, staff training costs should not be capitalised in future years.</p> | <p>The calculation will be adjusted for 2015/16.</p>  | <p>Financial Performance Manager</p> | <p>31 March 2016</p> |

## Appendix 4 – Action plan

| No. | Para/page           | Issue  | Management action/response   | Responsible officer                 | Target date   |
|-----|---------------------|--|--|-------------------------------------|---------------|
| 5   | Para 27/<br>page 11 | <p><b>FReM Changes</b></p> <p>The 2015/16 FReM has been extensively re-written and includes significant changes to the form and content of the annual report and accounts.</p> <p>There is a risk that LLTNPA's 2015/16 financial statements will not reflect the revised FReM requirements.</p> <p>Management should review the revised requirements to identify the impact upon their 2015/16 financial statements.</p> <p>Management should also complete the NAO Disclosure Checklist as part of their year-end closedown procedures in advance of the 2015/16 financial statements audit.</p> | <p>The Park Authority will review the 2015/16 FReM and revise the Annual Report and Accounts accordingly.</p> <p>Management will complete the NAO Disclosure Checklist to assist with the preparation of the 2015/16 annual report and accounts.</p> | Financial<br>Performance<br>Manager | 31 March 2016 |

## Appendix 4 – Action plan

| No. | Para/page           | Issue   | Management action/response   | Responsible officer           | Target date   |
|-----|---------------------|---|--|-------------------------------|---------------|
| 6   | Para 41/<br>page 13 | <p><b>Financial Planning</b></p> <p>In 2014/15, LLTNPA overspent its Resource Department Expenditure Limit by £126,000.</p> <p>LLTNPA does not currently have long-term financial plans.</p> <p>There is a risk that LLTNPA will overspend its budget in future years, particularly given that it has continued to over-programme its expenditure in 2015/16.</p> | <p>LLTNPA have not developed any specific longer term financial plans as the spending review finishes in 2015/16. Work on the spending review has started in June 2015 with Scottish Government.</p> <p>LLTNPA's 2015/16 budget was developed bottom up and reviewed thoroughly. This provides a solid basis from which longer term plans can be developed.</p> <p>In 2015/16 the Financial Performance Manager will look at the longer term position and consider how to develop long-term financial plans in conjunction with the spending review process.</p> | Financial Performance Manager | 31 March 2016 |