

# National Park Authority Board Meeting

Agenda Item: 7



## 2014/15 Draft Annual Report and Annual Accounts

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### *Paper for noting/approval*

#### 1. Purpose

- 1.1. This paper presents the draft Annual Report (Appendix 1) and separately the draft Annual Accounts (Appendix 2) for 2014/15.
- 1.2. This paper also highlights the governance responsibilities of the Board, Audit Committee and Chief Executive (section 3) and the process to finalise the accounts (section 4) so that they are signed in June 2015 and laid before Parliament. A summary of the financial results for the year is presented at section 5.
- 1.3. The paper is marked “for noting/approval”. The Annual Report is for approval and the Annual Accounts are for noting as the responsibility for signing the Annual Accounts is with the Chief Executive. Members are encouraged to provide feedback on the governance arrangements raised in the paper or any points on the Draft Annual Report or Draft Accounts to be addressed prior to these documents being finalised.

#### 2. Introduction

- 2.1. In previous years we have presented the Annual Report and Accounts as one complete report. Over the last year we have reflected on the huge effort that goes into the collation, production and publication of the document(s) and the extent to which it is used by stakeholders. The Executive and Managers also reflected on the collation, production and publication of the National Park Partnership Annual Review and the benefits to partners of this publication.
- 2.2. The Executive agreed that whilst we would satisfy our statutory obligations to produce Annual Report and Accounts we would produce two documents that could be read separately or together. It was also agreed that we would incorporate the National Park Partnership Annual Review, usually produced in November, within the Annual Report.
- 2.3. The aim of the Annual Report was that we would maximise the usability and readability of this report to a wider audience.
- 2.4. The required format and content of the Annual Report is not explicitly defined, whereas the Annual Accounts are required to be prepared on the basis of International Financial Reporting Standards (IFRS) and compliance with the Government Financial Reporting Manual (FReM).
- 2.5. The Accounts remain draft pending final approval and completion of the independent external audit process by Audit Scotland.

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### 3. National Park Authority Governance Arrangements

- 3.1. In presenting the 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.
- 3.2. 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.
- 3.3. 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:
  - 3.3.1. 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;
  - 3.3.2. sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
  - 3.3.3. sign a Governance Statement regarding the Authority's system of internal control, for inclusion in the annual report and accounts;
  - 3.3.4. give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the Authority.
- 3.4. 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.
- 3.5. 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.

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- 3.6. 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.
- 3.7. 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.
- 3.8. The Audit 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 assurance required to underpin the Governance Statement provided by the Chief Executive.
- 3.9. The terms of reference of the Authority's Audit Committee highlight responsibilities to:
  - 3.9.1. promote good practice in internal control and provide advice to the Chief Executive on the preparation of the Internal Control Statement;
  - 3.9.2. review the activity of the external auditors, including the external audit plan.
- 3.10. **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.

#### 4. Process to Finalise Accounts

- 4.1. 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.
- 4.2. The Audit Committee will meet on the 23<sup>rd</sup> June to consider the final accounts prior being signed by the Chief Executive. In line with its responsibilities, the Audit Committee will review the external auditor's report on the 2014/15 external audit. The Committee will also consider and advise on the Governance Statement included within the accounts.
- 4.3. 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.

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### 5. Summary of 2014/15 Accounts

- 5.1. The Authority's gross expenditure for 2014/15 was £8,492k (2013/14 - £10,471k). After £7,896k of total Grant in Aid received, other income of £628k and interest received of £1k, the 2014/15 financial statements show a surplus of £33k (2013/14 - £1,218k deficit).
- 5.2. Included within the surplus 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 £124k (2013/14 £49k net expenditure position).

	£'000
<b>Deficit / (Surplus)</b>	<b>(33)</b>
Exclude Grant in Aid transferred for capital expenditure	1,083
Exclude non-cash items	
Depreciation	(443)
Impairment of non-current assets	(80)
Deficit on pension assets	(129)
Other pensions costs	(274)
<b>Net Expenditure</b>	<b>124</b>

- 5.3. The Grant in Aid received in the year from Scottish Government was utilised in full.
- 5.4. The table below provides a high level summary of the year end results for 2014/15 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).

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	<b>GIA award (£000)</b>	<b>Outturn (£000)</b>	<b>Variance (£000)</b>
<b>Expenditure financed by GIA</b>			
Resource Departmental Expenditure Limit (DEL)	6,404	6,530	(126)
Capital DEL	1,492	1,492	0
<b>Total Grant in Aid</b>	<b>7,896</b>	<b>8,022</b>	<b>(126)</b>
<b>Non-cash DEL (depreciation)</b>	<b>500</b>	<b>443</b>	<b>57</b>
<b>Expenditure classified as Annually Managed Expenditure (AME)</b>	<b>1,050</b>	<b>1,416</b>	<b>(366)</b>

	<b>Income (£000)</b>	<b>Expenditure (£000)</b>	<b>Variance (£000)</b>
<b>Expenditure financed by other income</b>			
Operating expenditure	865	865	0

### 6. Conclusion

- 6.1. Following the Board's review of the Annual Report and Accounts 2014/15, we expect to receive final External Audit clearance in time for the finalised report to be presented to the Audit Committee on the 23<sup>rd</sup> June 2015 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.

### 7. Recommendation

The Board are asked to:

- 7.1. Approve the Annual Report.
- 7.2. Note the draft Annual Accounts for 2014/15 (subject to final External Audit clearance).
- 7.3. Note that we anticipate the Audit Committee to recommend the accounts are signed by the Chief Executive following consideration of the final draft by the Audit Committee on the 23<sup>rd</sup> June 2015.
- 7.4. Note that the Board will be informed of any material changes to the accounts following final clearance by External Audit.

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