

# Loch Lomond and The Trossachs National Park Authority

## Annual Audit Plan 2013/14



Prepared for Loch Lomond and The Trossachs National Park Authority  
February 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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# Summary

## Introduction

1. Our audit is focused on the identification and assessment of the risk of material misstatement and/or irregularity in Loch Lomond & The Trossachs National Park Authority's financial statements. This report summarises the key challenges and risks facing Loch Lomond & The Trossachs National Park Authority (LL&TTNPA or the Park Authority) and sets out the audit work that we propose to undertake in 2013/14. Our plan reflects:
  - the risks and priorities facing LL&TTNPA
  - current national risks relevant to local circumstances
  - the impact of changing international auditing and accounting standards
  - our responsibilities under the Code of Audit Practice approved by the Auditor General for Scotland
  - issues brought forward from previous audit reports.

## Summary of planned audit activity

2. Our planned work in 2013/14 includes:
  - an audit of the financial statements and provision of an opinion on whether:
    - they give a true and fair view of the state of affairs of LL&TTNPA
    - they have been properly prepared in accordance with the National Parks (Scotland) Act 2000, the Financial Reporting Manual (FReM) and directions made by Scottish Ministers
    - the income and expenditure for the year were incurred or applied in accordance with applicable enactments and guidance issued by Scottish Ministers.
  - a review and assessment of LL&TTNPA's governance and performance arrangements in a number of key areas including:
    - adequacy of internal audit
    - prevention and detection of fraud and irregularity
    - standards of conduct and arrangements for the prevention and detection of corruption
    - financial position.

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# Responsibilities

3. The audit of the financial statements does not relieve the Accountable Officer, management or the Audit Committee of their responsibilities.

## Responsibility of the appointed auditor

4. Our responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
5. Auditors in the public sector give an independent opinion on the financial statements. We are also required to provide a view on performance, regularity and the organisation's governance arrangements. In doing this, we aim to support improvement and accountability.

## Responsibility of the Accountable Officer

6. It is the responsibility of the Accountable Officer (the Chief Executive) and LL&TTNPA to prepare the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions signed by Scottish Ministers. This means:
  - acting within the law and ensuring the regularity of transactions by putting in place appropriate systems of internal control
  - maintaining proper accounting records
  - preparing financial statements timeously which give a true and fair view of the financial position of the Park Authority as at 31 March 2014 and its expenditure and income for the year then ended
  - preparing an annual report, including management commentary, governance statement and remuneration report.

## Format of the accounts

7. The financial statements should be prepared in accordance with the FReM and Accounts Directions signed by Scottish Ministers. The FReM sets out the principles applicable to the accounting and disclosure requirements for the annual report and accounts which bodies covered by resource accounting are required to prepare annually.

# Audit approach

## Our approach

8. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of LL&TTNPA. We also consider the key audit risks and challenges in the central government sector generally. This approach includes:
  - understanding the business of the Park Authority and the risk exposure which could impact on the financial statements
  - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
  - identifying major transaction streams, balances and areas of estimation and understanding how the Park Authority will include these in the financial statements
  - assessing the risk of material misstatement in the financial statements
  - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.
9. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2013/14 includes:
  - comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff
  - clear responsibilities for provision of accounts and working papers being agreed
  - delivery of unaudited accounts to agreed timescales with a comprehensive working papers package
  - completion of the internal audit work programme for 2013/14.
10. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. Internal audit is provided by KPMG LLP. Overall, we concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

11. We plan to place formal reliance on selected aspects of the internal audit's testing of the key controls in the following systems to support our audit opinion on the financial statements:
  - Trade payables
  - Trade receivables.
12. In respect of our wider code responsibilities we also plan to review the findings and consider other areas of internal audit work including:
  - regulatory compliance
  - financial management, planning & efficiencies.

## Materiality

13. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to 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.
14. When considering, in the context of a possible qualification, whether the misstatement of an item, or a number of items taken together, is material in terms of its monetary value, we use professional judgement and experience and internal guidelines from peers. An item may be judged material for reasons other than its monetary value. An inaccuracy, which would not normally be regarded as material, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, or an item contrary to law). Such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

## Reporting arrangements

15. As the audited accounts have to be signed by the Accountable Officer and by the appointed auditor, prior to laying them before Parliament, it is critical that a timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at Appendix A of this plan, which takes account of submission requirements, planned audit committee dates and audit resources.
16. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the Chief Executive and the Director of Corporate Services to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Director of Corporate Services and Audit Scotland's Performance Audit and Best Value Group.
17. We will provide an independent auditor's report to LL&TTNPA and the Auditor General that the audit of the financial statements has been completed in accordance with applicable

statutory requirements. After completion of the audit we will provide the Accountable Officer and the Auditor General with an annual audit report containing observations and recommendations on significant matters which have arisen in the course of the audit. Our annual audit report will be published on our website ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)) after the audited accounts have been laid before Parliament.

18. Planned outputs for 2013/14 to be delivered by the audit team are summarised within the audit timetable at Appendix A.

## Quality control

19. International Standard on Quality Control (UK and Ireland) 1 requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice. To ensure that we achieve the required quality standards Audit Scotland conducts peer review, internal quality reviews and has engaged the Institute of Chartered Accountants of Scotland (ICAS) to conduct a programme of external review.
20. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement leader, Asif A Haseeb.

## Independence and objectivity

21. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.
22. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of LL&TTNPA.



# Audit issues and risks

## Audit issues and risks

23. Based on our discussions with management, attendance at Audit Committee meetings and a review of supporting information, we have identified a range of risks for LL&TTNPA. These risks are summarised in Table 1 below where sources of assurance and planned audit action are also set out. The management of risk is the responsibility of the Park Authority and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.
24. Actions to manage these risks are either planned or already underway within the organisation. In the period prior to the submission of the unaudited financial statements, we will liaise with management on any new or emerging issues.

**Table 1: Summary assurance plan**

Risk	Source of assurance	Planned audit action
<p><b>Revaluation of assets</b></p> <p>All fixed assets are to be revalued in March 2014 as part of the five year cycle.</p> <p><i>There is a risk that the non-current asset revaluations may not be correctly accounted for in the financial statements.</i></p>	<p>The Park Authority has issued an invitation to tender for the asset revaluation work with a response date of 26 February 2014. The timetable within the tender is for the asset valuations to be completed by 28 March 2014.</p>	<p>We will review non-current asset disclosures in the financial statements.</p>
<p><b>Availability of pension information</b></p> <p>During 2012/13 there was a delay in Hymans Robertson LLP, actuarial consultants, as requested by the Glasgow City Council (the Administering Authority), providing the pension information required for inclusion in the remuneration report.</p>	<p>LL&amp;TTNPA have received a timetable from Strathclyde Pension Office in relation to pension information.</p> <p>Management will liaise with Hymans Robertson LLP during accounts preparation process to confirm availability of required pension information.</p>	<p>We will review disclosures in the remuneration report.</p>

Risk	Source of assurance	Planned audit action
<i>There is a risk that there may be a similar delay in 2013/14 which could impact on the proposed audit certification date.</i>		

25. We note that a new finance manager has taken up post in January 2014. The Park Authority has confirmed that there have been no other staffing changes that could impact on key controls and the key staff contacts for the final accounts audit remain the same.

# Fee and resources

## Audit fee

26. In determining the audit fee we have taken account of LL&TTNPA's risk exposure, the management assurances in place and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 19 May 2014.
27. The agreed audit fee for the 2013/14 audit is £10,100 (£10,100 in 2012/13). Our fee covers:
  - all of the work and outputs described in this plan
  - a contribution towards the costs of national performance studies and statutory reports
  - attendance at Audit Committee meetings
  - access to advice and information on relevant audit issues
  - access to workshops/seminars on topical issues
  - travel and subsistence costs.
28. Where our audit cannot proceed as planned through, for example, late receipt of the unaudited financial statements or we are unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Audit team

29. Asif A Haseeb is your appointed auditor. The local audit team will be led by Gillian McCreadie, who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided at Appendix B. The core audit team will call on other specialist and support staff, as necessary.

# Appendix A - Financial statements audit timetable and summary of outputs

Key stage	Date
<b>Governance</b>	
Annual Audit Plan	28 February 2014
Review of adequacy of internal audit	30 April 2014
Key controls report	30 May 2014
<b>Financial statements</b>	
Latest submission of unaudited financial statements with working papers package	19 May 2014
Progress meetings with lead officers on emerging issues	As required during audit progress
Financial statements matters arising clearance meeting	23 May 2014
Agreement of unsigned financial statements for Audit Committee agenda, and issue of report to the Audit Committee on the audit of financial statements (ISA 260)	17 June 2014
Audit Committee date	24 June 2014
Accountable officer to sign accounts	24 June 2014
Independent auditor's report signed	25 June 2014
Annual audit report to the Accountable Officer and the Auditor General for Scotland	31 October 2014

# Appendix B - Audit team

A summarised curriculum vitae for each core team member is set out below:

**Asif A Haseeb MBA, ACMA**  
**Engagement Leader**

Asif took up post as senior manager in October 2001. Before joining Audit Scotland, he was the chief auditor in a Scottish council. Asif has 20 years of public sector audit experience and substantial financial management and board level experience in the public sector gained through non-executive membership of various boards (currently a member of the Court of the University of the West of Scotland). He is also a Justice of the Peace (Lay Magistrate).

**Gillian McCreadie BA (Hons), CPFA**  
**Lead Auditor**

Gillian joined Audit Scotland in 2009 as a trainee and is a graduate from the Strathclyde Business School specialising in Economics. She is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) and has over 4 years experience in public sector audit. Gillian is also a member of Audit Scotland's Professional Standard's Group.

**David Docherty BA (Hons)**  
**Auditor (Professional Trainee)**

David holds an Honours degree in Law from the University of Glasgow and joined Audit Scotland as an ICAS professional trainee in 2012.