

# National Park Authority

## Audit Committee Meeting

Agenda Item 8



### Draft Governance Statement

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#### *Paper for Decision*

#### 1. Purpose

- 1.1 Attached to this paper is the proposed draft Governance Statement on internal control which is a required document as part of the Annual Accounts statements.
- 1.2 Much of the document is prescribed by the Scottish Public Finance Manual and organisations are required to outline how they have addressed the requirements.
- 1.3 Members are asked to note that the final wording may change slightly as part of the accounts finalisation process.

#### 2. Introduction

### **GOVERNANCE STATEMENT** **For the period ended 31 March 2014**

#### **Governance Framework**

- 2.1 As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Loch Lomond & The Trossachs National Park Authority's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Management Statement for Loch Lomond & the Trossachs National Park Authority. In discharging this responsibility I am held accountable by the Authority's Board, and by Scottish Ministers. In particular, the Authority's Board has Committees in place to manage strategy, delivery and for Audit, each of which has remits to ensure elements of the Authority's financial management and internal control systems, including risk management systems, are in place and function effectively.
- 2.2 The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

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- 2.3 An element of my responsibility as Accountable Officer is to ensure the Authority's internal control systems comply with the requirements of the SPFM.

#### The Operation of the Board and Sub Committees

- 2.4 The Board and Committees met on the following basis during the year:
- The full Board held six formal meetings which were open to the public. These meetings were supplemented by a number of business sessions to deliver training to Board members and to discuss matters of policy and organisational development.
  - The Delivery Group met four times to conduct a detailed review of performance against Corporate Plan targets.
  - The Audit Committee met four times to review the work of internal and external auditors. The committee also attended a training session on audit committee roles and responsibilities during the year which was facilitated by KPMG.
  - The Strategy Committee met four times to review the strategy of the organisation and the budget for the following financial year.
- 2.5 Full papers are issued to these meetings between 7 and 10 days in advance to allow the members to fully consider the matters for discussion.
- 2.6 Advice from independent internal and external auditors forms a key and essential element in informing my review of the effectiveness of the systems of internal control within the Authority. The Board's Audit Committee also plays a vital role in this regard, through its review of audit recommendations arising from reviews of internal control systems and its consideration of proposed management action. In particular, the Audit Committee is tasked with monitoring the operation of the internal control function and bringing any material matters to the attention of the full Board. Detailed findings of all audit reviews are made available to both management and the Audit Committee. The Audit Committee reports quarterly to the Board on the adequacy and effectiveness of the Authority's internal controls.
- 2.7 The internal audit function is an integral element of the Authority's internal control systems. KPMG LLP was appointed as the Authority's internal auditors in 2011 and has undertaken a comprehensive review of key internal control systems since their appointment.

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- 2.8 Over the course of the year to 31 March 2014, the internal auditors have reported to the Audit Committee on their independent reviews of planning processes and systems, carbon management and internal sustainability reporting, and regulatory compliance. The contract for internal audit services with KPMG LLP comes to an end in 2014 and therefore a tender process for internal audit services will be completed in due course.
- 2.9 In addition, the external auditors have reviewed key systems including a positive review of the Internal Auditors' documentation, standards and reporting procedures, to form a view on the effectiveness of control arrangements and support their audit opinion on the financial statements. Recommendations made as part of this process have been taken on board and actions taken where appropriate.

#### Risk Management

- 2.10 All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with the relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.
- 2.11 The Board recognises the importance of risk management in the activities of the organisation. Through adoption of risk-based monitoring reports for delivery of Corporate and Business Plan objectives, National Park Plan delivery, and for wider assessment of organisational performance, the Board has provided leadership on the importance of risk management at the highest level within the organisation.
- 2.12 The Board's Audit Committee and Executive Team are involved in leading on embedding risk management processes throughout the organisation. Both these groups consider the management of strategic risk and seek to ensure that the required actions to manage risk at a strategic level are appropriately reflected and incorporated in operational delivery plans. The Authority's strategic risk management process is based on a schedule of key risks and risk management strategy. The strategy and schedule of key strategic risks was maintained and subject to review by both managers and Executive Team and an audit trail was maintained through recording of actions taken. The risk register was updated and refreshed in 2013 and the new risk register was presented to the Audit Committee in November 2013 for discussion.

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- 2.13 The Audit Committee presented the draft risk register to the Board Business session in December 2013 for further discussion. The new process agreed is that the Executive would review the Risk Register on a quarterly basis, with a report being submitted annually to the Audit Committee. In the event of any risk being increased to a “high” status, this would be escalated to the Committee at the earliest opportunity.
- 2.14 The Authority has also adopted a risk based approach to the management and monitoring of its Operational and Corporate Plan delivery, and key aspects of organisational performance, whereby any increased risk to achievement of targets is assessed, reported to the Executive Team, and, where required, remedial action determined and implemented. Risk management is also a core element of project appraisal and approval processes.

#### Data Security

- 2.15 Steps are being taken to ensure that information is being managed in accordance with legislation. The Authority’s policy is to maintain the highest level possible of data security in its operations. During the year the Authority maintained its systems including:
- Maintenance of Cisco ASA 5500 Adaptive Security appliance (Firewall)
  - Off site data back up by Commvault
  - Password protected laptops and desktop computers
  - Designated remote access routes through Cisco VPN
- 2.16 In terms of information management and security, a requirement to maintain close scrutiny on the Authority’s IT and data management functionality is highlighted within the strategic risk register and is therefore reviewed by the Executive Team and Audit Committee.

### 3. Conclusion

- 3.1 As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:
- the Executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, feedback from whom is obtained through weekly meetings of the Executive and Managers teams;

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- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which includes independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letter and other reports.

3.2 I have been advised on the implications of the result of my review by both the Board and its Audit Committee and a plan is in place to address weaknesses and ensure continuous improvement of the systems.

3.3 The internal auditors have concluded that the controls tested were found, on the whole, to be strong with suggestions for only minor improvements being made. Appropriate action is in place to address any weaknesses identified and to ensure continuous improvement of the system.

3.4 The internal auditor's annual report for 2013-14 states that, based on the work undertaken over the course of the year, the Authority's systems provide a reasonable basis for maintaining control and that the control framework provides reasonable assurance regarding the effective and efficient achievement of strategic objectives.

#### 4. Recommendation

4.1 Members are requested to confirm the appropriateness of assertions made in the draft Governance Statement on internal control prior to its inclusion in the draft accounts for 2013/14 and subsequent signature by the Chief Executive.

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