

2019/20 Annual Accounts Timetable Approach



Paper for noting

1. Purpose

To review the sequencing and order of the 2019/20 annual accounts, including the Audit & Risk Committee and Board Committee timings.

2. Recommendation

Officers recommend that the sequencing and timing of the annual accounts for 2019/20 remains unchanged, with draft accounts being presented to the June Board and then the June Audit & Risk Committee for signing by the Accountable Officer. Members are asked to review the recommendation and provide their views.

3. Contribution to National Park Partnership Plan and Our 5-year Plan

There is a statutory duty to prepare Annual Accounts. Compliance supports the proper delivery of the organisational processes that underpin all Outcomes and Priorities of the National Park Partnership Plan 2018-23 and Our 5 Year-Plan

4. National Park Authority Governance Arrangements

4.1 This report has been prepared in response to a request from the Audit & Risk Committee to review current practice with regards to the sequencing of the annual accounts.

4.2 In reviewing the timetable of signing the annual accounts, it is worthwhile to set the context of the governance arrangements for the National Park Authority particularly with respect to responsibility for financial management and authorisation of accounts.

4.3 The governance and management arrangements for the National Park Authority 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.

4.4 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 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:

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- 4.4.1 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;
- 4.4.2 sign the Accountability Report, for inclusion in the annual report and accounts;
- 4.4.3 give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the Authority.
- 4.5 The Chief Executive may delegate the day-to-day administration of his Accountable Officer responsibilities to other employees in the National Park Authority. However, he shall not assign absolutely to any other person any of the responsibilities set out in this document.
- 4.6 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 National Park Authority 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.
- 4.7 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.
- 4.8 The **Audit & Risk Committee's** role and responsibilities are also set out in the SPFM. The Audit & Risk 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.
- 4.9 The Audit & Risk 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.
- 4.10 **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.

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5. Existing Approach

- 5.1 The current sequence of the annual accounts process has been in place for at least the last eight years. This practice has been adopted as it allows the timely production of the annual accounts in the first quarter of the financial year, including oversight from both the Board and the Audit & Risk Committee prior to signing. This strikes the balance between efficient handling of the process, with appropriate safeguards to ensure any material issues are considered by the full Board.
- 5.2 It is aligned to the Board and Committee meeting structure and allows the accounts to be completed with regards to the Scottish Government timetable for laying the accounts before Parliament. Draft accounts need to be reviewed by Scottish Government before 30th June with accounts available for laying before Parliament by 30th September each year.
- 5.3 The current timeline is as follows:
- 1st April to mid-May – Draft annual accounts produced¹.
 - Start of May – Financial update presented to Chairs and Exec meeting, providing year end management accounts and update on progress of annual accounts.
 - Mid-May to end of May – External audit of annual accounts.
 - Early June – Draft annual accounts provided to Audit & Risk Committee Members for discussion. This is an informal opportunity for the members to have sight of the draft accounts, be briefed on the content and issues arising and allows members the opportunity to comment ahead of Board discussion.
 - Mid-June – Draft annual accounts presented to the Board for noting and 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. If satisfied, the Board delegate to the Audit & Risk Committee the right to advise the CEO to sign the accounts.
 - End of June – Draft external audit report completed.
 - End of June – Audit & Risk Committee consider the final draft annual accounts, review the external auditor's draft report and the governance statement within the accounts and, if satisfied, recommend the accounts for signing by the Accountable Officer (Chief Executive Officer). If satisfied, the Accountable Officer then signs the accounts.
 - End of June - Once the accounts have been signed, the external auditor will complete and sign their Independent Auditor's Report to be included in the

¹ Year end process includes capitalisation of assets, asset revaluations (where applicable), stock accounting, accruals and pension valuations.

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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 in the Autumn.

- 5.4 Given the fact that the Finance team is small and does not have a separate financial and management accountant, the current practice allows the prior year work to be completed by the end of the first quarter. This enables resource to be focused from the start of quarter 2 on the current financial year and other priorities.
- 5.5 The external audit process also works effectively in the current timetable and although timelines are tight, it means that the audit is concluded promptly. This is more efficient from the Authority's resourcing perspective, with staff effort to respond to audit queries being concentrated over a shorter period of time.
- 5.6 The current process also allows for Audit & Risk Committee members to provide scrutiny of the annual accounts through a discussion in advance of the Board meeting. The draft accounts are circulated to members in advance of this discussion, allowing members opportunity to consider the annual accounts. The Board provides another opportunity for review and then the final review, with external and internal audit present, is at the Audit & Risk Committee meeting. The Audit & Risk Committee recommend signing by the CEO in his role as Accountable Officer. If any issues were raised at the Audit & Risk Committee that prevented the accounts being signed, the process would be to go back to the Board for re-consideration.
- 5.7 Although the current timelines are tight for the Finance and external audit teams, the process works effectively. There have been two instances in the last three years where the accounts have not been able to be signed at the June Audit & Risk Committee. The current process allows sufficient time in the existing Board Committee timetable to accommodate any delays in the signing of the accounts.

6. Guidance

- 6.1 External audit have noted in their audit recommendations that it is considered good practice that the Audit and Risk Committee would provide scrutiny of the financial statements prior to final consideration by the Board. The recommendation is that the Authority consider reviewing the schedule of meetings to allow the Audit & Risk Committee to review the financial statements for approval at the Board.
- 6.2 The Audit and Assurance Handbook (the Handbook) states in 4.21 that "in reaching a view on the accounts, the committee should consider key accounting policies and disclosures, assurances about financial systems which provide the figures for the accounts, the quality of the control arrangements over preparation of the accounts,

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key judgements made in preparing the accounts, any disputes arising between those preparing the accounts and auditors and reports, advice and findings from external audit”.

- 6.3 The Audit & Risk Committee’s terms of reference were updated in March 2019 state that “the Audit & Risk Committee will advise the Board and Accountable Officer on the accounting policies, the accounts, and the annual report of the organisation, including the process for the review of the accounts prior to submission for audit, levels of error identified and management’s letter of representation to the external auditors”.

7. Options

- 7.1 The options for the year end accounts production timetable are set out below:

Options	Advantages	Disadvantages
<p>1. Timing remains unchanged.</p> <p>Accounts presented to June Board and then June Audit & Risk Committee for signing by Accountable Officer.</p> <p>(Note: this approach is consistent with CNPA).</p>	<p>Deadlines for completion of annual accounts can be met by Finance team.</p> <p>Deadlines of completion of external audit field work and external audit report can be met by Grant Thornton LLP.</p> <p>Audit & Risk Committee members have opportunity to review the accounts before the Board meeting (with Accountable Officer and Finance team) and raise any issues in advance of the Board meeting.</p> <p>Annual accounts are completed by end of first quarter (assuming no issues) allowing resource to be focused on current financial year and other priorities.</p> <p>Post balance sheet event work minimised with prompt signing of accounts for both the Authority and external audit.</p>	<p>The sequence varies from recommended practice</p> <p>Risk that the Board does not see any non-material adjustments prior to Audit & Risk Committee consideration and CEO sign off. However, material changes are reported back to the next available Board meeting.</p>

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	<p>In the case of any issues with the annual accounts and/or external audit, the timeline allows for accounts to be delayed and still meet Scottish Government deadlines (draft accounts no later than 30 June and final accounts available by 30 September for laying before Parliament).</p>	
<p>2. Timing changed with Audit & Risk Committee preceding Board</p> <p>(a) June Audit and Risk Committee precedes Board (order of Committees is swapped)</p> <p>(b) Board meeting held in July (additional meeting or June Board moved to July)</p>	<p>Applicable to all:</p> <ol style="list-style-type: none"> 1. In line with recommended practice. 2. Full Board view final accounts and external audit report prior to signing. 	<p>(a) Production time for annual accounts is reduced. Finance team (and therefore external audit) unlikely to be able to meet shorter timescales without additional resource.</p> <p>Given current external audit fieldwork dates, unlikely that external audit report would be completed for an earlier Audit & Risk Committee, meaning that external audit would need to attend full Board.</p> <p>(b) Availability of Members, staff and audit as a result of holiday season.</p>

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<p>(c) Accounts prepared for June Audit & Risk Committee and reported to September Board. Under current governance structure, September Board focus is on strategic matters, with formal business being minimised.</p> <p>(d) Accounts prepared for September Audit & Risk Committee and reported to September Board. (Under current governance structure, September Board focus is on strategic matters, with formal business being minimised).</p>	<p>(d) Additional time for Finance team to produce annual accounts.</p> <p>More flexibility in external audit fieldwork dates.</p>	<p>(c) and (d) Additional workload reviewing post balance sheet events for Finance team and external audit.</p> <p>With an extended audit period, focus of Finance team is on previous financial year for a longer period of time. Impacts on delivery of other finance work areas.</p> <p>Risk that post balance sheet events could result in changes to accounts and letter of representation that have not been through the Audit & Risk Committee and create additional workload.</p> <p>Sequence would necessitate a formal September Board meeting.</p> <p>Risk that SG deadline of 30th September for final accounts to be available for laying before Scottish Parliament by the Scottish Ministers is missed if any issues identified. Less time to resolve issues post account production and external audit fieldwork (Risk increases under option d).</p>
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8. Conclusion

There are a number of factors to be considered when deciding on the annual accounts timetable.

Although the current structure does not represent recommended practice, it does not breach the requirements of the Handbook. The Handbook states that a “degree of flexibility and pragmatism and proportionality will be needed in applying the guidance in the Handbook to individual organisations”.

Further, the Handbook notes that “the committee will not be able to review the accounts in detail to advise the Accounting Officer whether they are true and fair. Ideally the committee should expect a comprehensive overview of the financial statements by the Finance Director”.

Officers’ conclusion is that the current timetable is the most effective in terms of staff resources, practical completion of the accounts, the current Board timetable and governance structure. The current approach is considered pragmatic, effective and proportionate given the size of the organisation.

The finance team is a small team, with the same individual being responsible for the production of both financial and management accounts. A prolonged closure of the accounts diverts resource from the current (and future year) priorities, whereas the current approach allows resource to be available at the end of the first quarter to focus on other work areas.

The view is that the current timetable allows the Audit & Risk Committee and Board sufficient opportunity for scrutiny of the annual accounts to allow their responsibilities to be discharged and for the Accountable Officer to discharge his responsibilities in signing the annual accounts, while ensuring appropriate safeguards for the Board to consider material changes to the accounts, as has taken place in two of the last three years.

Author: Eilidh McKerry, Finance Manager
Executive Sponsor: Gordon Watson, CEO