

National Park Authority

Audit Committee Meeting

Agenda Item 6



Draft Accounts for the Financial Year ended 31st March 2020

Paper for decision

1. Purpose

- 1.1. This paper presents the draft Annual Accounts (**Appendix 1**).
- 1.2. This paper also highlights the governance responsibilities of the Board, Audit & Risk Committee and Chief Executive (section 4) and the process to finalise the accounts (section 5) so that they are signed in September 2020 and laid before Parliament.
- 1.3. The responsibility for signing the Annual Accounts lies with the Chief Executive as Accountable Officer. Members are encouraged to provide feedback on the Draft Accounts.

2. Recommendation

Members are invited to:

- 2.1. Recommend to the National Park Authority Board on 14th September 2020 that the Accounts are signed by the Chief Executive in his capacity as Accountable Officer subject to clearance by External Audit and resolution of outstanding matters (7.3).

3. Contribution to National Park Partnership Plan

- 3.1. There is a statutory duty to prepare an 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. Introduction

- 4.1. 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 (FRoM).
- 4.2. The Accounts remain draft pending final approval and completion of the independent external audit process by Grant Thornton.

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5. National Park Authority Governance Arrangements

- 5.1. In presenting the draft 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.
- 5.2. 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.
- 5.3. 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 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:
 - 5.3.1. 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;
 - 5.3.2. sign the Accountability Report, for inclusion in the annual report and accounts;
 - 5.3.3. give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the Authority.
- 5.4. 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.
- 5.5. 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 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. The Board are required 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.

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- 5.6. 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.
 - 5.7. 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.
 - 5.8. 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.
 - 5.9. **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.
6. Process to Finalise Accounts
- 6.1. The governance process is different in the current year compared to previous years, as the Audit & Risk Committee precedes the Board Meeting.
 - 6.2. The draft Accounts are presented to the Audit & Risk Committee for recommendation to the Board that the Accountable Officer should sign the accounts following External Audit clearance.
 - 6.3. The Audit & Risk Committee are required to review the External Auditor's report on the 2019/20 external audit. The Committee will also consider and advise on the Governance Statement included within the Accounts.
 - 6.4. The Board meet on 14th September 2020 to consider the final Accounts prior being signed by the Chief Executive. 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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7. Status of Annual Accounts and Key Issues

- 7.1. As noted above, the annual accounts in Appendix 6.1 are in draft format. External Audit field work commenced on 6th July 2020, with the preliminary close meeting taking place on 16th July 2020 and no adjustments were identified at that point. The audit was conducted remotely between the audit team and Finance.
- 7.2. Following completion of fieldwork, it was advised that on 16th July 2020, the Westminster government released the McCloud consultation in relation to the pension age discrimination issue arising from this case. As Members may recall from 2018/19, a late adjustment of £345k was made following a subsequent actuarial review to increase the pension liability. This was based on analysis by GAD that everyone active in the scheme was eligible for the protections. However, the proposed remedy now limits eligibility to only members who were active at 31 March 2012, which reduces the size of the allowance and reduces the balance sheet liability. The Authority obtained an updated actuarial valuation in August 2020 and the impact is an estimated reduction of £202k in the liability. This is recorded as a past service cost gain.
- 7.3. The following items remain outstanding at the time of writing:
- 7.3.1. Confirmation of treatment of external income in relation to capital expenditure. External funding received from Visit Scotland which partially funded the Rural Tourism Infrastructure works has been credited to reserves in line with existing accounting policy. This has not been taken to the Statement of Comprehensive Net Expenditure. This treatment was raised as a potential issue by Grant Thornton on 26 August 2020 and is unresolved at the time of writing. No adjustment has been made for this in the draft version of the annual accounts. We await resolution of the issue with Grant Thornton, following advice from their technical team and Audit Scotland.
- 7.3.2. The Authority received the report from the External Audit team on their review of the financial statements and disclosure checklist on 26 August. 30 points were raised. At the time of writing 14 had been dealt with, 8 were outstanding and planned to be amended for the signing version of the accounts and 8 were proposed to be amended for the 20/21 accounts following further discussion with Grant Thornton. These points relate primarily to disclosures although the presentation and policies are consistent with the audited accounts in 2018/19. A further verbal update will be provided at the Committee on 8th September 2020.

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7.3.3. Final review of the accounts for cross-referencing, casting and page references following any adjustments arising from the two points above.

7.4. It is expected that these points will be finalised and External Audit clearance received prior to the Board on 14th September 2020.

8. Conclusion

8.1. The Annual Accounts should be recommended to the Board for approval and signing by the Chief Executive, subject to the resolution of the outstanding matters in 7.3 above and External Audit clearance.

8.2. We expect to receive final External Audit clearance in time for the finalised report to be presented to the Board on 14th September 2020 for consideration, prior to the Chief Executive approval and signing of the Accounts. The Accounts will then be signed by the External Auditor and released to Scottish Government officers to allow the accounts to be laid before Scottish Parliament.

Authors: Eilidh McKerry, Finance Manager

Executive Sponsor: Pete Wightman, Director of Corporate Services