

National Park Authority Board Meeting

Agenda Item 10

2019/20 Draft Annual Report and Annual Accounts



Paper for noting/decision

1. Purpose

- 1.1. This paper presents the draft Annual Report (Appendix 1) and separately the draft Annual Accounts (Appendix 2).
- 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 paper is marked “for noting/decision”. The Annual Report is for decision and the Annual Accounts are for noting as the responsibility for signing the Annual Accounts lies with the Chief Executive. Members are encouraged to provide feedback on any points on the draft Annual Report or draft Annual Accounts prior to these documents being finalised.

2. Recommendation

The Board are invited to:

- 2.1. Approve the Annual Report;
- 2.2. Note the draft Annual Accounts for 2019/20 (subject to final External Audit clearance and consideration by Audit & Risk Committee);
- 2.3. Note that we anticipate the Audit & Risk Committee will on 8th September 2020 recommend to the Board;
- 2.4. Consider and reaffirm the anticipated Audit and Risk Committee recommendation that the Annual Accounts are signed by the Chief Executive following External Audit clearance and resolution of outstanding matters;
- 2.5. Note that the Board will be informed of any material changes to the Annual Accounts following final clearance by External Audit by correspondence for information.

3. Contribution to National Park Partnership Plan

- 3.1. There is a statutory duty to prepare an Annual Report and 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.

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4. Introduction

- 4.1. In line with last year we have produced the Annual Report and Accounts as two documents that can be read separately or together.
- 4.2. The Annual Report follows last year's format, style and level of detail. The report provides highlights of the National Park Authority's performance during the year.
- 4.3. Whereas the required format and content of the Annual Report is not explicitly defined, 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 (FRM).
- 4.4. The Accounts remain draft pending Audit & Risk Committee review, final approval and completion of the independent external audit process by Grant Thornton.

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:
 - 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;
 - sign the Accountability Report, for inclusion in the annual report and accounts;

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- 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.
- 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 on 8th September 2020 for recommendation to the Board that the Accountable Officer should sign the accounts following External Audit clearance

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- 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 draft accounts are presented to the Board 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.
- 6.5. Once the accounts have been signed by the Chief Executive in his role as Accountable Officer, 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.

7. Status of Annual Accounts

- 7.1. As noted above, the annual accounts in Appendix 5.2 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. The draft Annual Accounts were sent to the members of the Audit & Risk Committee on 28th August 2020. As noted in the Audit & Risk Committee papers (Agenda Item 6), the External Audit draft report and disclosure review was received late and there were two outstanding areas at that point in time. The timings did not allow for the items to be discussed, resolved and adjustments made to before the issuance of the draft Annual Accounts to the Audit & Risk Committee members. As such, there are differences between the version of the Accounts presented to the Audit & Risk Committee and those presented to the Board. The outstanding areas at the time of the Audit & Risk Committee paper were as below
 - Accounting treatment for recognition of grant income received from Visit Scotland as part of the Rural Tourism Infrastructure Fund for the upgrades to visitor facilities at West Loch Lomond and East Loch Lomond had not been agreed.
 - The Accounts had not been updated to take full account of all of the review points raised by External Audit, given the timings. These points related primarily to disclosures, although the presentation and policies were consistent with the 2018/19 Accounts.

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- 7.3. The main difference between the Annual Accounts presented to the Audit & Risk Committee and the Board relates to the recognition of the Visit Scotland grant income. An adjustment of £117k was agreed to defer the grant income in relation to East Loch Lomond to 2020/21, given the grant conditions and the fact project was not completed at the end of the financial year following the COVID-19 outbreak. In addition, the West Loch Lomond grant income was amended to be included in the Statement of Comprehensive Net Expenditure instead of general reserves.
- 7.4. The result is that the cash position against the Scottish Government budget has changed from an underspend of £73k to an overspend of £44k. This is a timing and reconciliation difference only, as when the income is released in 20/21 there will be a corresponding underspend against budget.
- 7.5. The table below lists the amendments between the Annual Accounts presented to the Audit & Risk Committee and the Board

| Page | Note | Amendment |
|--------|---|--|
| 5-6 | Performance Analysis -Financial Budget performance | SG reconciliation and commentary updated to reflect changes in <ul style="list-style-type: none">- WLL income included in Statement of Comprehensive Net Expenditure- ELL income being deferred to 20/21- Pension reclassification £3k between reserves and Statement of Comprehensive Net Expenditure |
| 6 | Performance Analysis -Financial Budget performance | Expansion of commentary on financial performance, including explanation of overspend |
| 26 | Parliamentary Accountability Report- Regularity of Expenditure | Commentary on financial performance added |
| 10, 59 | Performance Analysis- Post Balance Sheet Events Note 20 – Post Balance Sheet Event | Disclosure of no post balance sheet events removed and insertion of Note 20 Post Balance Sheet Events to disclose COVID 19 as a non-adjusting Post Balance Sheet Event |
| 16-17 | Governance Statement | Section added on COVID-19 Governance Arrangements and cross-reference to COVID-19 risks on p4 added |
| 24, 46 | Other Staff Details and Note 6 Board Member and Other Staff Costs | Employer pension contributions increased by £3k to include unfunded pension |

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|-------|---|---|
| 31-24 | Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cashflows and Statement of Changes in Taxpayers' Equity | Primary statements updated to reflect changes in <ul style="list-style-type: none"> - WLL income included in Statement of Comprehensive Net Expenditure rather than reserves (£289k) - ELL income being deferred to 20/21 (£117k) - Pension reclassification £3k between reserves and Statement of Comprehensive Net Expenditure |
| 45 | Note 4 Segmental Analysis | Project Income and Staff costs amended to reflect adjustments for WLL income and pension costs |
| 50 | Note 13 Trade Payables and Other Liabilities, Note 18 Financial Instruments | Trade and Other Payables updated to reflect deferred income from RTIF grant funding for East Loch Lomond |
| 39 | Accounting Policies – Other Grants and Income | Policy updated to reflect amended recognition of grant income |
| 39 | Accounting Policies – Trade Receivables | Policy wording updated to improve clarity |
| 39 | Accounting Policies – Trade Payables | Policy wording updated to improve clarity |
| 39 | Accounting Policies – Pension costs | Policy wording updated to improve clarity |

7.6. There are a few disclosure and presentational items that were raised by the External Auditor that have been agreed to be taken forward to the 20/21 Annual Accounts, especially as the presentation is consistent with 2019/20. These will be detailed in the final External Audit report and are not considered material in nature to the reader of the Accounts.

7.7. An additional disclosure point has been raised around Note 17 Related Parties by the External Auditor on 3 September 2020. Additional disclosures have been requested around naming the public sector bodies with whom we have material transactions and disclosing transactions with non-public sector bodies. The External Auditor is satisfied with the processes for monitoring and recording related party transactions. The Register of Interest review is on the Agenda for discussion at the Audit & Risk Committee on 8th September 2020 as part of the normal annual review and this issue will be discussed more fully. The intention is that this will be resolved and the details of the disclosure agreed in advance of the Board Meeting on 14th September. A verbal update will be provided at the meeting and the final set of Accounts for signing and publication will include any amendments.

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7.8. Any amendments as a result of the final casting, proof-reading and referencing will be included in the final set of the Accounts, as will any agreed amendments from the Audit & Risk Committee, Board and external audit clearance.

8. Conclusion

8.1. The Annual Accounts should be recommended by the Board for approval and signing by the Chief Executive, subject to the resolution of the outstanding matters in 7.7 and 7.8, the recommendation from the Audit & Risk Committee and External Audit clearance.

8.2. Following the Board's review of the Annual Report and Accounts 2019/20, we expect to receive final External Audit clearance in time for the Annual Accounts to be signed by the Chief Executive and the Auditor on 22nd September 2020. The accounts will then be released to Scottish Government officers to allow the accounts to be laid before Scottish Parliament.

Appendix 1 – 2019/20 Draft Annual Report

Appendix 2 – 2019/20 Draft Annual Accounts

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