



Loch Lomond & The Trossachs National Park Authority

Internal Audit Report 2025/26

October 2025

Review Sponsor: Jane Kemp, Head of Governance and Performance

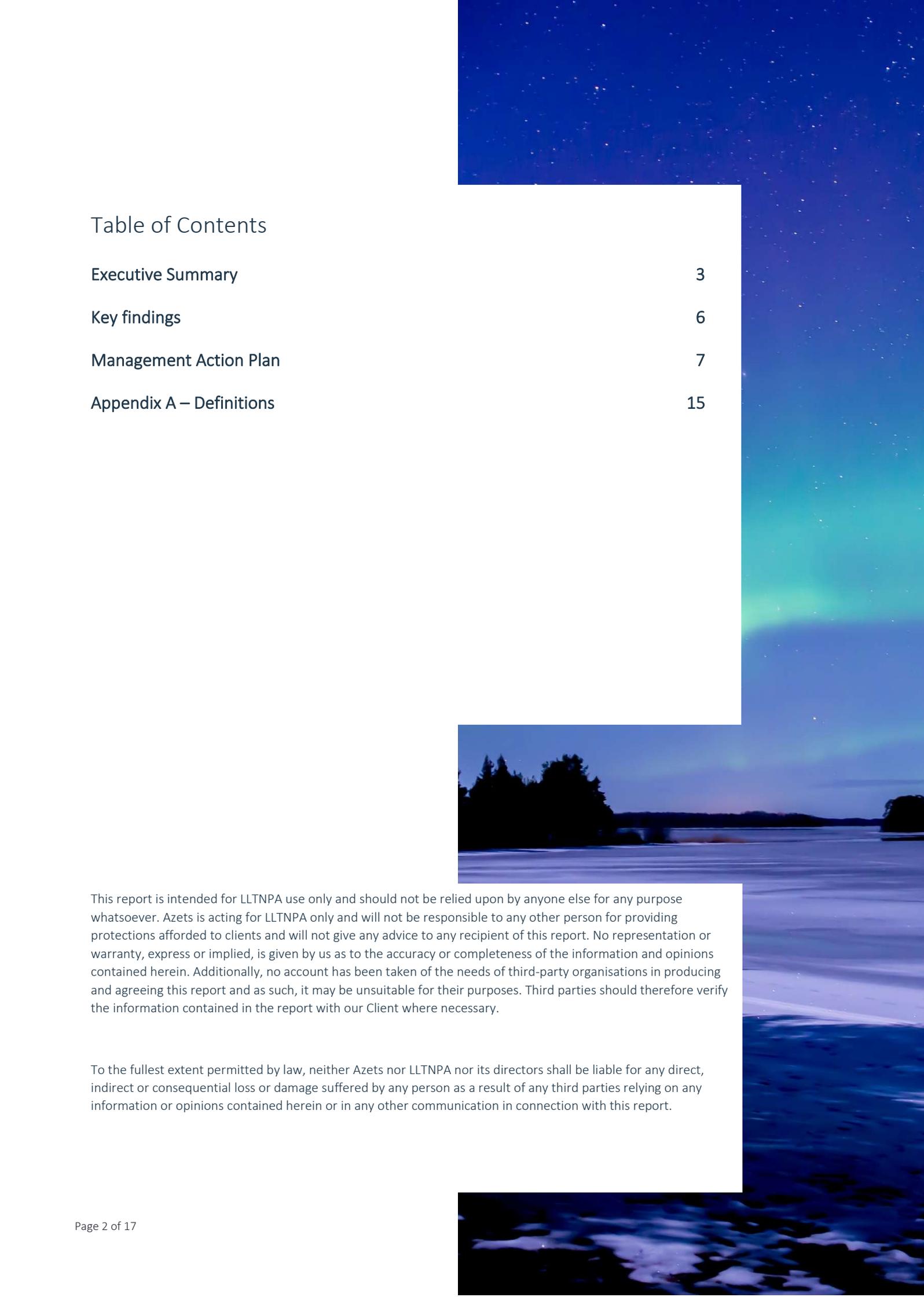


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Executive Summary

Conclusion

Audit Rating	Minor Improvement Required
<p>The Loch Lomond and the Trossachs National Park Authority (LLTNPA) has developed a realistic and deliverable financial plan that appropriately considers key cost drivers including staffing costs, operating costs and project costs. Engagement with operational managers during the planning process ensures that budget assumptions are grounded in operational reality, enhancing the credibility of financial forecasts.</p> <p>In addition, LLTNPA has demonstrated a clear understanding of the financial risks that could affect both operational delivery and the achievement of strategic objectives, through the consideration of overarching objectives and alignment to the Annual Operational Plan, Corporate Plan and National Park Partnership Plan.</p> <p>This is supported by the preparation of long-term financial forecasts developed for submission to the Scottish Government (SG) which provide a broader view of the organisation’s financial sustainability. We also noted however, that while long-term forecasting is undertaken on a reactive basis as per SG requests, and paybill scenario planning is included within the Q2 reforecast process the approach to scenario planning is not clearly outlined within the finance policy.</p>	

Background and scope

Financial sustainability is a key component of effective public sector governance and the delivery of value for money. This refers to an organisation’s ability to manage its financial resources to best deliver services and achieve objectives in the short, medium and long term whilst maintaining resilience in the face of economic uncertainty and emerging risks.

Financial planning, covering short, medium and long term, represents the key process through which financial sustainability is managed and monitored to help drive success for the National Park Authority. This financial sustainability comes from good budget setting and management of funds to deliver the services the National Park Authority is required to and plans to.

The National Park Authority must manage income alongside strategic priorities to ensure objectives are delivered while optimising financial stability.

In accordance with the 2025/26 Internal Audit Plan, we reviewed the financial planning arrangements within the National Park Authority to support delivery of both the Corporate and National Park Partnership Plans. This included how the National Park Authority identifies and manages strategic and operational financial risks, and how it ensures that the financial monitoring information used to make decisions accurately reflects the current financial status.

Key Contacts and Audit Team

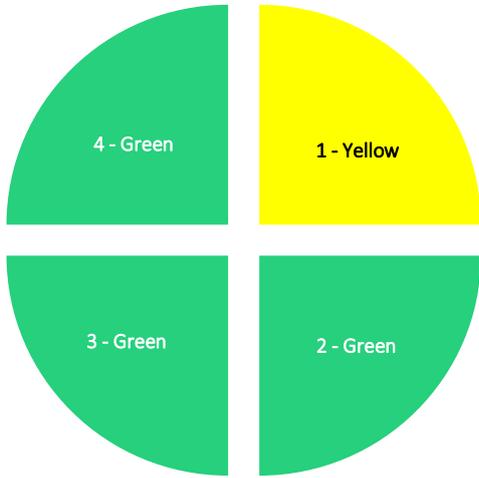
Key Contacts	Audit team
Jane Kemp, Head of Governance and Performance Michael Ward, Finance Manager	Elizabeth Young, Audit Partner Stephanie Hume, Audit Director Sophie Campbell, Internal Auditor

Acknowledgement

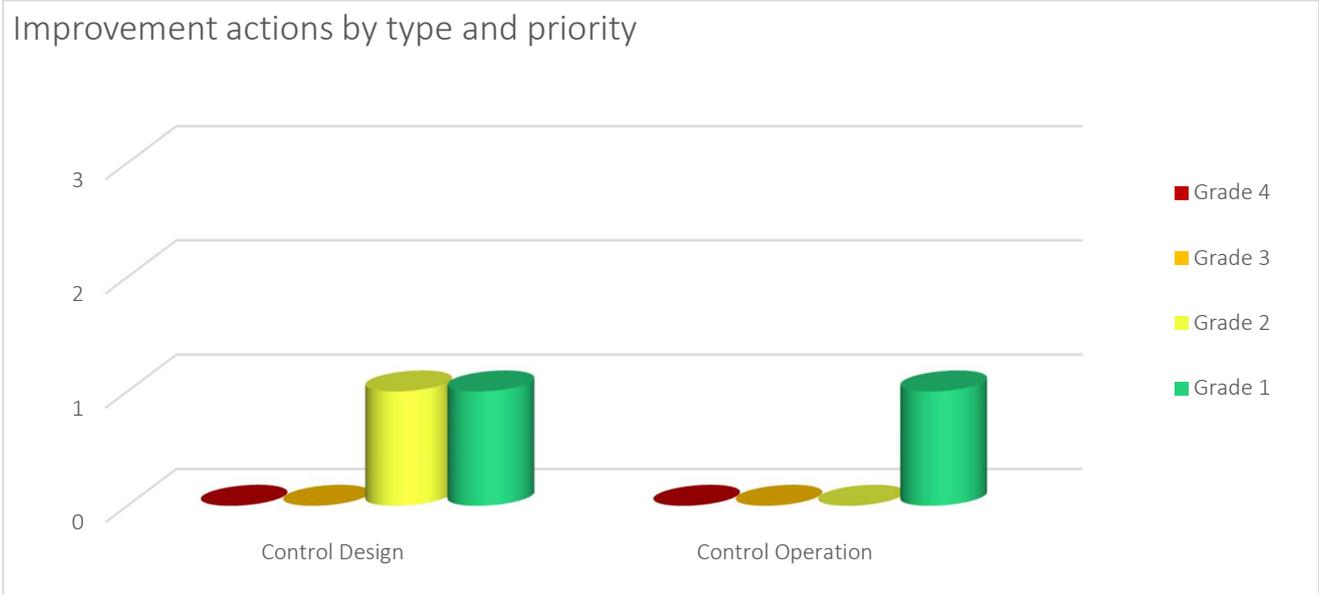
We would like to take this opportunity to thank all members of management and staff for the help, courtesy and co-operation extended to us during the year.

Control assessment

- 1. LLTNPA has developed a realistic and robust financial plan that demonstrates a clear understanding of its short, medium and long term financial position including any savings required across multiple years.
- 2. The financial plan is clearly aligned to the operational strategy and reflects the structure and operations of LLTNPA.
- 3. The financial plan considers key financial risks and includes scenario planning on the possible outcomes for delivery of the operational plans throughout the year.
- 4. There is regular reporting to management and the Board on delivery against the financial plan, including any interdependencies, and implications for delivery of corporate outcomes.



Improvement actions by type and priority



Three improvement actions have been identified from this review, two of which relate to the design of controls in place. See Appendix A for definitions of colour coding.

Key findings

Good practice

- LLTNPA has demonstrated that the financial sustainability plan is realistic and deliverable through a structured and evidence-based budgeting process. LLTNPA begins by using the previous year's budget as a baseline, which provides a consistent and validated framework.
- Operational managers are actively engaged in the budget setting process to provide input on expected operating expenses, enabling forecasts to align closely with operational realities and program delivery requirements.
- LLTNPA demonstrates strong consideration for overarching objectives by developing its financial and annual operational plans in tandem, ensuring alignment between resources and delivery priorities. Both plans are also explicitly referenced to the overarching corporate plan and National Partnership Park Plan.
- At the request of the Scottish Government, LLTNPA produce medium to long term financial forecasts that include a range of assumptions and note the potential impact these assumptions will have on deliverables.
- LLTNPA has demonstrated a consideration for risks to the financial plan by explicitly evaluating the potential impacts on service delivery arising from planned savings as, as evidenced through its SG submission outlining how savings ask would impact the operations of the organisation.
- LLTNPA has established clear financial monitoring and reporting arrangements by setting expectations for operational staff to notify the finance team promptly of any budget changes or anticipated variances to the year-end position, enabling proactive action.
- Operational managers receive monthly management accounts, providing them with effective oversight of in-period expenditure and supporting timely, informed decision-making.
- To ensure the Board has oversight of in-year financial performance, the finance team provide the Board with quarterly finance updates. We reviewed a sample of Board meeting minutes to confirm that these reports are subject to appropriate challenge and scrutiny.

Areas for improvement

- LLTNPA should ensure that the rationale behind any assumptions in the budget are clearly outlined in the narrative to improve understandability.
- LLTNPA should ensure that the approach to scenario planning is included within the finance policy.

These are further discussed in the Management Action Plan below.

Impact on risk register

The LLTNPA corporate risk register (as at May 2025) included the following risks relevant to this review:

- Risk 010: Medium Term Budget - Significant reduction in GIA from Scottish Government, a reduction of key additional funding sources (NRF, RTIF) and ongoing discussions around public sector reform and increased volume of unscheduled and short-notice information requests caused by budgetary constraints for Scottish Government resulting in inability to deliver priorities, including government aspirations, affecting other partners (score: 10)

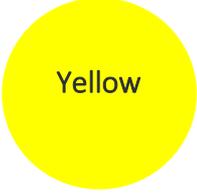
We have not identified any significant risks which would impact the wording or scoring of the above risk.

Cultural Observations

LLTNPA demonstrates a strong culture of financial discipline and practical financial management, However, it was also observed that staffing capacity constraints have limited the ability to complete certain activities, such as process enhancements and extended financial modelling. LLTNPA acknowledge the staffing constraint and have taken measures to ensure this strain is alleviated.

Management Action Plan

Control Objective 1: LLTNPA has developed a realistic and robust financial plan that demonstrates a clear understanding of its short, medium and long term financial position including any savings required across multiple years.



Yellow

1.1 Medium to Long-term Financial Planning

Observation

Medium to longer term financial planning is a key component of sound financial management and governance. It enables public bodies to align resources with strategic objectives, manage financial risks and supports sustainable service delivery. Despite receiving annual budget allocations from government, forward planning helps organisations anticipate future pressures, make informed investment decisions, and maintain transparency and accountability over the use of public funds.

We confirmed that LLTNPA has in place an annual financial plan (budget) covering the period 2025-2026.

At the request of the Scottish Government (SG), LLTNPA has produced multi-year capital allocations from 2026/27 through to 2029/30. We reviewed the Multi-Year Capital Commission February 2025 which include the following:

- Capital Spend Priorities: LLTNPA has outlined its capital spending priorities by identifying the relevant National Park business areas responsible for delivery. These priorities are explicitly mapped to the priorities set out by the Scottish Government, ensuring a direct link between organisational investment and national strategic objectives.
- Forecast Submission as per the SG classifications for year-on-year projections from 25/26 through to 29/30
- Staff costs with additional budget provision to meet visitor management pressures
- Programme and other operating expenditure for delivery of Loch Lomond and The Trossachs National Park Partnership Plan (NPPP).

We also reviewed LLTNPA's Medium Term Forecast & Risk (MTFR) Commission February 2025 to confirm that consideration for long-term financial sustainability has been outlined in LLTNPA's submission to SG, which was produced on a reactive basis at the request of SG. The following is outlined in the submission:

- Revenue spend priorities and the relevant business area within LLTNPA requiring resource to deliver the intended impact;
- Staff costs, which have been forecasted through to FY29/30;
- Other resource spend; and
- Potential impacts on priorities.

We confirmed that, at present, LLTNPA's financial planning is primarily focused on the short-term. This approach has been driven by the annualised budget cycle and staffing constraints, and therefore

only forecast for the year ahead are regularly prepared, with any long-term forecasting being reactive to SG requests. This approach enables effective short-term financial control but limits visibility and strategic planning over the medium to long term.

We have observed effective forecasting approaches implemented in other public bodies in receipt of annualised funding, where inflationary pressures are applied to key cost drivers (e.g. staff costs, non-pay expenditure) to assess the sustainability of service delivery under different funding scenarios.

Root cause analysis

We performed further analysis to determine why LLTNPA has not embedded the long-term financial forecasts in their standard budget cycle:

1. The organisation is subject to annual allocations the basis of which can change including throughout the year. Given the inherent uncertainty around the medium to long term financial environment and the annual funding cycle LLTNPA have prioritised resources on reactive modelling as opposed to a more formal approach.

Risk

There is a risk that without embedding long-term financial forecasts in the budget-setting cycle, LLTNPA is unable to effectively mitigate strategic, operational, and financial risks. This may lead to an inability to align resources with long-term service delivery objectives, reduced resilience to funding volatility and emerging cost pressures, weaknesses in project appraisal and workforce planning, and limited transparency and accountability over future financial sustainability.

Recommendations

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
1.1A	LLTNPA should integrate long-term financial forecasting into their annual budget setting and planning process. This should include scenario modelling (such as flat cash, % increase or decrease) and alignment with corporate objectives to provide visibility of financial risks.	2 (Design)	Agreed. We will look to incorporate longer term financial forecasting into our annual budget setting and planning process. This will include at least two scenarios, as relevant at the time of production.	Finance Manager 30 June 2026

Control Objective 2: The financial plan is clearly aligned to the operational strategy and reflects the structure and operations of LLTNPA

Green

No reportable weaknesses

Observation

LLTNPA has in place a National Park Partnership Plan (NPPP) 2024-2029, which was produced in consultation with SG and outlines the aims of the National Park Authority. We also reviewed LLTNPA's Corporate Plan 2025-2030 and confirmed that the overarching objectives set out in the NPPP are in alignment. Similarly, we reviewed LLTNPA's Annual Operational Plan 2025-2026 (AOP), which sets out the proposed activities and deliverables to support the achievement of the NPPP and the Corporate Plan. The AOP has been set out to mirror the three chapters of the NPPP.

Through discussions with the Head of Governance and Performance, we confirmed that the AOP is developed in parallel with the annual financial planning process. This integrated approach ensures alignment between the organisation's strategic objectives and its annual budget.

We reviewed AOP update papers and Board meeting minutes dated 10th June 2024, 30th September 2024, and 9th December 2024, which evidenced that progress updates on the AOP explicitly considered the financial implications on deliverables. For example, discussions following the finance and AOP updates highlighted key operational challenges, including:

- The impact of staff recruitment, retention, and absence on service delivery.
- The importance of partnership working in delivering National Park Plan objectives, and the challenges faced by key partners.

Additionally, through further discussions with management, it was noted that staffing costs, being one of the most significant operational expenditures, are a central consideration in the financial planning process.

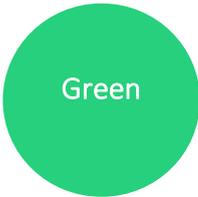
Given that the successful delivery of AOP commitments is heavily dependent on staff resourcing, the financial plan has been deliberately structured to reflect and support the operational requirements set out in the AOP. This close alignment ensures that financial resources are allocated in a way that enables the organisation to meet its strategic and operational goals effectively.

We reviewed the Board meeting minutes from 10th March 2025 to confirm that the financial plan and AOP was discussed in detail to allow sufficient scrutiny and challenge and aligns to the overall objectives of the organisation. The minutes evidenced the following challenges to the budget:

- The potential of additional funding from SG towards an increase in NI contributions.
- Timing and notification about the Nature Restoration Fund (NRF) awards.
- Costing process for staff roles.
- Plans for the outcome of the organisation skills audit.

The meeting minutes evidenced approval of the AOP and Budget for 2025/26.

Control Objective 3: The financial plan considers key financial risks and includes scenario planning on the possible outcomes for delivery of the operational plans throughout the year.



3.1 Consideration for Financial Risks

Observation

We reviewed the Medium-Term Forecast and Risk March 2025 submission to SG which clearly outlines potential impacts on priorities based on the assumption that funding allocations for the Peatland and Nature Restoration Fund continue as per the 25/26 levels.

LLTNPA has incorporated key financial risks into its financial planning process through the intentional use of ‘over-programming’ through which planned expenditure exceeds the expected amount of Grant-in-Aid (GIA) funding. Through discussion with the Head of Governance and Performance, we confirmed that the decision to take the approach of over-programming was taken based on historical trends that show actual expenditure falling below the approved budget. As a result, the organisation typically ends the year in an underspend position.

As such management include more items in the initial plan than there is allocated budget for as experience has shown that not all expected projects/spend will be completed within the financial year due to various factors including weather, contract delays and unplanned staff absences.

While this approach demonstrates consideration for risks to the achievement of deliverables, the rationale behind the approach was not made clear in the narrative of the financial plan.

Root cause analysis

We performed further analysis to determine why the approach to mitigate risks was not clearly articulated in the financial plan:

1. It was felt that this was implicit in the process being followed by the organisation and that this was well understood by staff.

Risk

There is a risk that failure to document the rationale for the budgeting approach within the financial plan may result in misinterpretation of the plan potentially leading to ineffective decision-making.

Recommendations

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
3.1A	LLTNPA should ensure that the rationale behind the over-programming approach is clearly articulated in the financial plan.	1 (Operation)	Agreed. We have updated our Finance Policy to ensure that the over-programming approach and rationale is clearly articulated	Finance Manager Complete

3.2 Scenario Planning

Observation

Short-term scenario planning is a useful tool for public bodies to navigate uncertainty within the annual budget cycle. It enables organisations to model the financial impact of different assumptions—such as in-year changes in funding, demand for services or cost pressures—and to test the resilience of their plans. By exploring best-case, worst-case and most likely scenarios, public bodies can make more informed decisions, identify potential risks early and develop contingency actions to maintain service continuity and financial stability. This proactive approach supports more robust in-year financial management.

The Finance Team do model alternative funding or expenditure scenarios throughout the year, as evidenced by their submissions to SG, these projections are conducted on an ad-hoc basis in response to specific requests from SG as per MAP 1.1.

We reviewed the SG submission for Pay and Workforce Data Collection which outlines:

- Paybill Forecasts for Directly Employed Staff for the periods from 2025/2026 - 2029/2030

We reviewed the Public Service Reform Commission May 2025 which outlines:

- Possible routes to achieve savings
- Impacts in terms of the functions impacted and the overall organisation
- Quantifying the ask, noting that the only way to realistically achieve savings targets would be to reduce LLTNPA's headcount
- Impacts the savings ask will have on SG priorities
- Other relevant points to note

At present LLTNPA includes the scenario planning of the paybill within the Q2 reforecast process. This includes consideration of the Scottish Government technical guidance on pay awards, with management taking consideration of the highest estimated pay award which may be allocated and use this as a basis for forecasting spend across the remainder of the year. However, LLTNPA's approach to scenario planning is not clearly outlined in the finance policy.

Root cause analysis

We performed further analysis to and found that:

1. It was felt that this was implicit in the process being followed by the organisation and that this was well understood by staff.

Risk

There is a risk that staff may be unclear on the process for scenario planning within the organisation and the approach taken.

Recommendations

Ref	Recommendation	Grade	Management Response	Action Owner and Due Date
3.2A	<p>LLTNPA should ensure that the approach to financial scenario modelling is incorporated into the financial policy. This should include the approach to modelling three positions:</p> <ul style="list-style-type: none"> • Best Case • Central • Worst Case 	1 (Design)	We consider our Q2 review to be the scheduled opportunity for modelling different scenarios. The extent and nature of that modelling will depend on the circumstances each year. The finance policy will be updated to reflect this.	<p>Finance Manager</p> <p>31 March 2026</p>

Control Objective 4: There is regular reporting to management and the Board on delivery against the financial plan, including any interdependencies, and implications for delivery of corporate outcomes.

Green

No reportable weaknesses

Observation

We confirmed that management provides quarterly financial updates to the Board, which include detailed reporting on management accounts, in-year expenditure, and budget variances, alongside analysis of the impact on overarching organisational objectives and strategic priorities.

We reviewed the finance update papers for June 2025, and September 2025 and confirmed that reporting included detailed updates on management accounts and the impact on overarching objectives as noted in the Corporate Plan and National Partnership Plan. The Finance update includes the following detail:

- Contribution to National Park Partnership Plan and/or Corporate Plan
- Finance Team update
- Management Accounts
- Update on income to date, operating salaries, operating expenditure, net activity expenditure, key project spends and funding updates

We confirmed the quarterly reports provide the Board with a clear understanding of financial performance, enabling effective challenge, oversight and decision-making. The inclusion of narrative commentary linking financial outcomes to strategic objectives supports oversight of performance and ensures that financial discussions remain aligned to wider organisational goals.

In addition to quarterly reporting, an in-depth review of financial performance is undertaken at Q2, which includes a detailed assessment of budget-to-date performance, year-end forecasts and variance drivers. The Q2 review is presented to the EMT and we reviewed the actions arising from the Q2 review for 2024/25 to confirm that the review was sufficiently challenged.

We reviewed the 2025/26 draft Q2 review which included operational expenditure updates, team expenditure and budget variances.

The Q2 review forms the basis for a formal reforecasting exercise, allowing LLTNPA to update financial projections, identify emerging issues and realign resources where necessary to maintain financial balance and delivery against strategic objectives.

Appendix A – Definitions

Audit Ratings

Immediate major improvement required
•Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.
Substantial improvement required
•Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Minor improvement required
•A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Effective
•Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Control assessments



Management action grades

4	•Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	•High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	•Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	•Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

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