

**General Assembly Documents**  
**Internal Auditor's Report**  
**30th September 2010**



### Internal Audit Report to EUROPARC General Assembly 2010

#### Section 1: Introduction

1. As Internal Auditor to the EUROPARC Federation, appointed by the General Assembly, my responsibility is to undertake an independent review and assessment of the effectiveness of the Federation's governance and management processes.
2. This is the second year of my appointment as Internal Auditor to the EUROPARC Federation.
3. My internal audit work has been undertaken in the context of a governance review completed in 2008, and the appointment of a new Director and Council in 2008. The EUROPARC Federation Strategy 2008 – 2012 forms a key reference document for my audit work.

#### Section 2: Internal Audit Plan September 2008 to August 2010

1. The Internal Audit Plan was approved by the Council at its meeting in Comacchio in January 2009. The plan proposed a focus for internal audit activity on the following aspects of the EUROPARC Federation's processes:
  - a. Governance: review the governance arrangements for the Federation in light of the outcomes and recommendations of the Governance review, and consider what structures, processes and controls may need to be put in place moving forward.
  - b. Strategic and Long-term Planning: consider how the Federation's objectives and targets are set; how performance and progress in achieving these targets is monitored; what arrangements are put in place to improve or correct performance when this is required.
  - c. Risk Management: support the Director and Council in undertaking a risk management review of the EUROPARC Federation's strategic objectives and seek to ensure that appropriate action plans are in place to manage these areas of risk.
  - d. Financial Management: review performance against budget and review provision of and adequacy of financial management information to senior managers and the Council.
2. I reported to General Assembly in 2009 that the above audit plan had been completed, with the exception of risk management. There had not been enough time to complete this work in 2009 and I proposed to undertake it in 2010.
3. I have therefore concentrated my internal audit work with the Council and Headquarters staff in 2010 on completion of a strategic risk management assessment, together with a follow up of action taken on recommendations for improvement adopted in 2009. The results of this activity are reported on in the following sections.

### Section 3: Work Undertaken to Deliver Internal Audit Plan

1. In delivering the internal audit plan over the course of the last year, the internal auditor has engaged in the following activities:
  - a. Attended and contributed to Council meeting, Stromstad, Sweden, September 2009.
  - b. Issued report to and attended General Assembly, Stromstad, Sweden, September 2009.
  - c. Developed, issued and collated a strategic risk management assessment questionnaire.
  - d. Attended and contributed to Council meeting, Hortobagy, Hungary, March 2010.
  - e. Reported results of strategic risk management questionnaire to Council, March 2010.
  - f. Reviewed Council papers and assessed council meeting procedures to determine actions taken in addressing previous improvement recommendations reported to Council.
  - g. Developed summary strategic risk register – considered and approved by Council meeting in Netherlands, May 2010.
  - h. Finalised report to General Assembly.
2. An estimated nine working days have been used in delivering internal audit work to the EUROPARC Federation in the period to August 2010.
3. I have not undertaken a detailed review of the final accounts, as I believe this work has already been undertaken by the statutory auditor. To have undertaken a further review of the accounts would have duplicated this effort and been a poor use of very limited internal audit time available.

### Section 4: Strategic Risk Management

1. The aim of the work undertaken on strategic risk management is to identify those risks that may impact on the ability of the Europarc Federation to achieve its agreed mission and objectives. The final result of this work is the establishment of a Strategic Risk Register. The process of establishing this register and its future use is set out in more detail here.
2. To understand the variety of potential risks that may impact on the work of the Europarc Federation, all members of the Council and staff at Headquarters offices were asked to complete a risk identification form. This sought information on:
  - a. Risk: what may happen, or is already happening, that impacts on the ability of the EUROPARC Federation to achieve its Mission and objectives?
  - b. Impact: how does the risk I have identified stop the Federation from working effectively and stop it from achieving its objectives?

## INTERNAL AUDIT REPORT TO GENERAL ASSEMBLY

- c. Improvement: What do I suggest is done to reduce the risk or reduce the impact of the risk?
  - d. Responsibility: Who do I think should take responsibility for the improvement suggested?
3. This work resulted in a total of 44 risk areas identified which were collated and issued to the Council meeting in March 2010 for discussion. At Council, some additional risk areas were identified, while a number of areas of overlap and duplication were also identified.
4. In order to establish a more focused set of strategic risks, the discussion at Council meeting in March were used to revise and better focus the range of risks identified through the forms returned by members and staff. The final results of the work are 17 strategic risks set out within a Strategic Risk Register.
5. The risk register now establishes a framework within which the Council and staff can focus on delivery of the objectives set out in the Federation's Mission. Ensuring that action is taken to either remove the risks identified or reduce their impact is intended to assist in establishing operations within the Federation that are better able to deliver objectives.
6. In summary, the risk register covers the following areas:
  - Staffing and Management (4 risks)
  - Finances (1 risk)
  - Project planning and delivery of valuable outputs (3 risks)
  - Internal management systems (1 risk)
  - Communications and political influence work (3 risks)
  - Managing and delivering member benefits (2 risks)
  - Managing and reviewing organisational structures (3 risks)
7. The strategic risk register was considered and adopted by the Council at its meeting in the Netherlands in May 2010. This risk register is now owned by the Federation Council and Director, and as auditor I expect the Council and Director to report on their management of the strategic risks facing the Federation to the General Assembly at an appropriate point in the future.

### Section 5: Next Steps and Future Internal Audit Work

1. I recommend that the Strategic Risk Register should be reviewed at least annually to establish a record of action taken to deal with risks identified and to also add any new risks which require to be managed in order to ensure the Federation is successful in delivery of its mission and objectives.
2. I propose that the Strategic Risk Register update should therefore be considered at least each year by Council, and should form an ongoing management tool for use by the Director and staff. The Director and Council should establish an agreed action plan to deal with these risks and communicate their work on this at an appropriate time to the General Assembly.
3. Regarding the range of recommendations from audit work undertaken in 2009, I propose to report to Council in September 2010 with an assessment of action taken to date to implement

## **INTERNAL AUDIT REPORT TO GENERAL ASSEMBLY**

recommendations made. I recommend that a follow-up report on previous recommendations should form a main part of the internal audit report to General Assembly in 2011.

4. I would also propose that the main focus of any new internal audit work in the coming year should be on reviewing the financial and administration systems put in place within the headquarters operations. Work in the last 2 years has been focused on strategic planning, strategic management and governance. It is now appropriate to look at whether the detailed finance and administration systems are adequate to support the high level planning and management undertaken by the Council and Director.
5. It is also appropriate to maintain an oversight on the work of the Council, which from my experience over the last 2 years provides an excellent means to review the work of the Federation as a whole and the linkage of work undertaken to the Federation's strategy.
6. This, of course, will be a matter for the individual appointed as Internal Auditor for the next year to consider.

### **Section 6: EUROPARC Federation Accounts**

1. In my report to General Assembly in 2009, I took the opportunity to question the appropriateness of internal audit involvement in presenting the accounts to the General Assembly. Given the amount of time likely to be available, at best the internal auditor will be able to report that final accounts have been prepared and subject to independent, external audit. It does not seem appropriate to use resource of the internal auditor to seek to duplicate the work that an independent, external auditor is paid to do.
2. The Federation Treasurer will report separately on the final accounts and the report of the Statutory Auditors.

### **Section 7: Consideration**

1. The internal audit work is provided to the Europarc Federation on a voluntary basis and is not paid for by the Federation, other than supporting necessary travel, accommodation and subsistence expenses.
2. The internal audit recommendations and advice are given in good faith and represent the views and opinions of the appointed internal auditor. It is for the paid officers and appointed members of the Council to determine whether and to what extent these views are to be adopted and implemented within the business processes of the Europarc Federation.
3. No liability whatsoever for any consequences arising from the implementation of these recommendations rests with either the Internal Auditor as an Individual, or with the Cairngorms National Park Authority as the employer of the internal auditor.

## INTERNAL AUDIT REPORT TO GENERAL ASSEMBLY

4. Cairngorms National Park Authority, Scotland, has provided an amount of financial support to the Europarc Federation in my delivery of this internal audit work, and I take this opportunity to acknowledge this support.

### **Section 8: Recommendations**

1. The General Assembly is asked to accept this report from the Internal Auditor.
2. The General Assembly is asked to endorse the Next Steps proposed at points 17 to 21 of this report.

David Cameron,  
10 August 2010

[davidcameron@cairngorms.co.uk](mailto:davidcameron@cairngorms.co.uk)