

North York Moors National Park Authority Finance, Risk, Audit and Standards Committee

7 September 2015

Internal Audit Annual Report 2014/15

1. Purpose of the Report

- 1.1 To inform Members of the Internal Audit work undertaken in 2014/15.
- 1.2 To inform Members of the Audit Opinion for 2014/15.

2. Purpose and Background

- 2.1 The purpose of the report is to provide a statement of assurance regarding the adequacy and effectiveness of the internal control system from Veritau Ltd (Internal Audit Services) on behalf of North Yorkshire County Council. The Statement of Assurance will support the Annual Governance Statement (AGS) which forms part of the Authority's Financial Statements.
- 2.2 The Annual report (**Appendix 1**) includes a summary of the findings of the audit including Management responses where appropriate. These findings are used to formulate the overall opinion.
- 2.4 Veritau carried out its work in accordance with the Cipfa Code of Practice for Internal Audit in Local Government.
- 2.5 There is no direct linkage to any of the Authority's Priorities as internal audit is a support service, which provides internal control and activity assurance to Directors on the operation of their services, and specifically to the Authority's S151 Officer on financial systems.

3. Management Actions and Follow-up

- 3.1 Officers are working on the management actions agreed in each report (see **Appendix 1**). Members can be assured that the Health and Safety action points, while not being major issues, are being treated as a priority and the Chief Executive has sought assurances that all appropriate steps have been implemented. A detailed update will be given as part of the planned Health and Safety paper due to be presented to the Authority in December.

4. Conclusion

- 4.1 The overall opinion of the Head of Internal Audit on the controls operated at the NYMNP is that they provide **Substantial Assurance**. There are no qualifications to that opinion. No reliance was placed on the work of other assurance bodies in reaching this opinion.

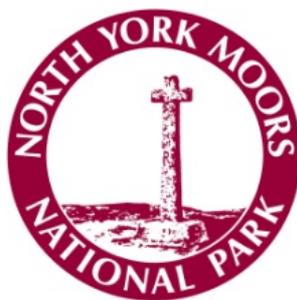
5. Recommendation

5.1 That Members note the content of this report.

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Background documents to this report
None

File Ref



North York Moors National Park Authority
Internal Audit Annual Report
2014-15

Audit Manager: Ian Morton
Head of Internal Audit: Max Thomas

Circulation List: Members of the Finance, Risk, Audit and Standards
Committee
Management Team (including the S151 Officer)

Date: 7 September 2015

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations, the Public Sector Internal Audit Standards (PSIAS), and the Authority's own Internal Audit Charter. In accordance with these standards the Head of Internal Audit must provide an annual report that includes an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The report should be used by the organisation to inform its governance statement.
- 2 During the year to 31 March 2015, the Authority's internal audit service was provided by Veritau Limited.

Internal Audit Work Carried Out 2014/15

- 3 During 2014/15, internal audit work was carried out across the full range of activities of the Authority. The main areas of internal audit activity included:

Financial Systems – providing assurance on key areas of financial risk. This helps support the work of the external auditors and provides assurance to the Authority that risks of loss are minimised.

Information Systems – providing assurance on information management and data quality.

Operational Systems - providing assurance on operational systems and processes which support service delivery.

Governance / Risk Management - providing assurance on governance arrangements and systems to manage risks to the achievement of corporate objectives.

- 4 It was requested by management that the Benchmarking audit was deferred until 2015/16, and this will be added to the 2015/16 plan. No special investigations were carried out during the year
- 5 Appendix A summarises the internal audit work carried out during the year and the opinion given for each report. Appendix B provides details of the key findings arising from our internal audit work and appendix C provides an explanation of our assurance levels and priorities for management action.

Professional Standards

- 6 Veritau has developed a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. As well as undertaking an annual survey of senior management in each client organisation and completing a detailed self assessment to evaluate performance against the Standards, the service is also subject to external assessment once every five years. The last assessment was conducted by the South West Audit Partnership (SWAP) and completed in April 2014. The outcome from the review demonstrated that the service provided by Veritau conformed to the International Standards for the Professional Practice of Internal Auditing. Further details about the 2015 Quality Assurance and Improvement Programme are shown in Appendix D.

Audit Opinion and Assurance Statement

- 7 The standards require that the Head of Internal Audit provide an annual report to the Finance, Risk, Audit and Standards Committee that includes:
- (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (ie the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the Head of Internal Audit judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.
- 8 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Authority is that it provides Substantial Assurance. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching that opinion. There are also no significant control weaknesses which, in the opinion of the Head of Internal Audit need to be considered for inclusion in the Annual Governance Statement.

2014/15 audit assignments completed

Audit	Status	Assurance Level
Financial Systems		
Key Financial Systems	Completed	High Assurance
Information Systems		
IT Disaster Recovery	Completed	Reasonable Assurance
Operational Systems		
Health And Safety	Completed	Substantial Assurance
Governance/Risk Management		
Risk Management	Completed Deferred at Client Request	High Assurance
Benchmarking		

Summary of Key Issues from audits completed

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Key Financial Systems	High Assurance	The audit consisted of a high level review of the main accounting, creditors, debtors and payroll systems.	16/12//14	<p>Strengths Thorough budget monitoring processes are in place with most of the responsibility lying with budget holders with additional support provided by the Finance and Performance Officer where necessary. Creditor payments are made within agreed timescales, debts are chased up on a fortnightly basis,</p> <p>Weaknesses No significant control weaknesses identified.</p>	
ICT Disaster Recovery	Reasonable Assurance	The purpose of the audit was to review ICT disaster recovery procedures to provide assurance that a suitable plan was in place with clearly defined responsibilities that had been tested.	20/7/15	<p>Strengths The Authority has developed effective foundation documents to guide disaster recovery and business continuity. The ICT Manager has a good understanding of the</p>	The ICT Disaster recovery plan and the overall Business Recovery plan will both be reviewed and checks will be made to ensure consistency between the two documents. This will

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Authority's network, server roles and back up arrangements</p> <p>Weaknesses The Business Recovery Plan and ICT Disaster Recovery Plan are not subject to regular review, and therefore may not reflect technical and operational changes. Previous reviews have not addressed areas of the Plan where work is still needed. The risk scoring methodology used to identify priorities is inconsistent and unlikely to identify current priority areas</p>	<p>include a formal decision on the required testing of the plan.</p> <p>The risk scoring system will be reviewed and priorities identified.</p>
Risk Management	High Assurance	The audit consisted of a high level review of compliance with the requirements of the risk management strategy	21/11/14	<p>Strengths The audit confirmed that the key elements of the Risk Management Strategy are complied with and the processes involved are reviewed on a regular basis to ensure continued</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>suitability.</p> <p>Weaknesses No significant control weaknesses identified.</p>	
Health and Safety	Reasonable Assurance	The audit reviewed the processes in place to ensure health and safety risk are managed, and that appropriate risk assessments have been undertaken to protect staff and volunteers	9/6/15	<p>Strengths The Authority has a comprehensive and up to date Health and Safety Policy which is approved and regularly updated and staff are made aware of these changes. Appropriate methods are in place for helping staff and volunteers to monitor, inspect and report any issues that they consider appropriate</p> <p>Weaknesses Induction checklists for new staff may not be fully completed and it was unclear if some staff had completed the required Health and Safety training There are no formal mechanisms in place to</p>	<p>Greater emphasis will be put on chasing the return of induction checklists to ensure 100% compliance with required actions.</p> <p>Managers to be reminded of the need to go through risk assessments face to face with their staff at least annually.</p> <p>Staff will be reminded via health and safety bulletins of their responsibility to ensure that they actively seek out and read the risk assessments relevant to their job.</p> <p>Improvements to be made in monitoring of volunteer work patterns.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				demonstrate that staff have read updated risk assessments which relate to their job. Improvements may be required to monitor work patterns of volunteer rangers.	

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.