

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

28 May 2019

Internal Audit Annual Report 2018/19 and Audit Plan 2019/20

1. Purpose of the Report

- 1.1 To inform Members of the Internal Audit work undertaken and the audit opinion in 2018/19.
- 1.2 To seek approval from Members of the draft Internal Audit Plan for 2019/20.

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) The Statement of Assurance supports the Annual Governance Statement (AGS) which formed part of the Authority's Financial Statements.
- Provide an Audit Plan for the assurance work which will be undertaken by Veritau Ltd in 2019/20.

3. Annual Audit Report 2018/19

- 3.1 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.
- 3.2 Veritau carried out its work in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.
- 3.3 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.
- 3.4 Officers are working on the management actions agreed in each report (see **Appendix 1**).
- 3.5 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.

4. Audit Plan 2019/20

- 4.1 The Audit Plan is a working document which evolves and may change over the course of the year as it is aligned to the issues raised in the Authority's Strategic Risk Register which is also a document which is regularly reviewed. The preparation of the Internal Audit Plan on the basis of identified risks is recognised as best practice and enables members of FRASC and the management team to satisfy themselves that internal audit activity is focused on the main risks to the Authority.

- 4.2 The content of the audit plan has been subject to consultation with the Chief Executive, Chief Financial Officer and Senior Leadership Team and is submitted for formal approval by the committee who are also responsible for monitoring progress against the plan. Changes to the plan are agreed through the Authority's client management arrangements and are notified to the committee. Proposed audit work is also discussed with the Authority's external auditors to ensure there is no duplication of effort.
- 4.3 The draft Annual Internal Audit Plan for 2019/20 is attached as **Appendix 2** to this report.
- 4.4 It is anticipated that the audit work will commence in Autumn 2019 and a summary report will be presented to this Committee once the work has been completed.
- 4.5 Veritau will also liaise with the External Auditors, Grant Thornton, in order to assist in the conclusions given in the 'audit opinion'.

5. **Financial and Staffing Implications**

- 5.1 None.

6. **Sustainability and Legal Implications**

- 6.1 There are no sustainability or legal implications arising from this report.

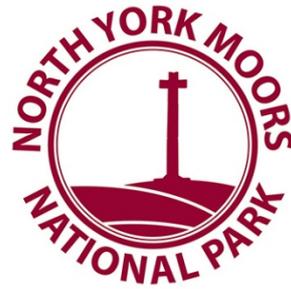
7. **Recommendation**

- 7.1 That Members note the content of this report and approve the plan at **Appendix 2**.

Contact Officer:
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Background documents to this report
None

File Ref



North York Moors National Park Authority

Internal Audit Annual Report

2018-19

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: 28 May 2019

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Chief Audit Executive (Head of Internal Audit) must provide an annual internal audit opinion and report that can be used by the organisation to inform its annual governance statement. The opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 2 During the year to 31 March 2019, the Authority's internal audit service was provided by Veritau Limited.

Internal Audit Work Carried Out 2018/19

- 3 During 2018/19, internal audit work was carried out across the full range of activities of the Authority. The main areas of internal audit activity included:

Strategic risks: this work involves reviewing areas highlighted as specific risks in the Authority's corporate risk register.

Financial systems: to provide assurance on the key areas of financial risk. This work helps provide assurance that the controls for the key financial systems are adequate and effective. It also supports the work of the external auditors.

Regularity / Operational audits: this work covered a number of the Authority's operational systems and areas.

Technical / Projects: to provide assurance on specific processes or key projects.

- 4 During the year one additional assignment was carried out at the request of management. This was providing advice and support for the development of a new Counter Fraud Policy.
- 5 **Appendix A** summarises internal audit work planned and completed. **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 To comply with Public Sector Internal Audit Standards (PSIAS), internal auditors working in local government are required to maintain a quality assurance and improvement programme (QAIP). As part of this programme, providers are required to have an external assessment of their working practices at least once every five years. An external assessment of Veritau Limited and VNY Limited internal audit practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). The report concluded that internal audit activity generally conforms to the PSIAS¹ and, overall, the findings were very positive.
- 7 The QAIP for 2019 is yet to be completed, but further details of the 2019 Quality Assurance and Improvement Action Plan will be provide to this committee when available.

Audit Opinion and Assurance Statement

- 8 In connection with reporting, the relevant professional standard (PSIAS 2450) states that the Chief Audit Executive (CAE)² must provide an annual report to the board³ timed to support the annual governance statement. The report should include:
 - (a) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (ie the control environment)
 - (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) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (including progress against any actions resulting from external assessment)
 - (d) disclosure of any qualifications to the opinion, together with the reasons for the qualifications
 - (e) details of any impairments or restriction in the scope of work)
 - (f) a comparison of the work actually undertaken with the work that was planned and a summary of the performance of internal audit against its performance targets
 - (g) details of any issues which the Head of Internal Audit judges to be of particular relevance to the preparation of the Annual Governance Statement.
- 9 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

¹ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

² The PSIAS refers to the Chief Audit Executive. For the NYMNPA this is the Head of Internal Audit for Veritau.

³ The PSIAS refers to the board. For the NYMNPA this is the Finance, Risk, Audit and Standards Committee

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.

Appendix A

2017/18 audit assignments not previously reported to this committee

Audit	Status	Assurance Level
Volunteers	Completed	Substantial Assurance

2018/19 audit assignments completed

Audit	Status	Assurance Level
Budgeting	Completed	High Assurance
Business Continuity	Draft	Reasonable Assurance
Cash Collection	Completed	Substantial Assurance
Payment Cards	Completed	Substantial Assurance
Information Security Compliance Check	Completed	Substantial Assurance

Summary of Key Issues from 2017/18 audits not previously reported to this committee

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Volunteers	Substantial Assurance	The audit reviewed the processes in place to recruit volunteers and to ensure they operate effectively and follow appropriate policies.	March 2019	<p>Strengths An effective volunteer recruitment strategy is in place and a variety of methods are used to advertise opportunities.</p> <p>An annual review is undertaken to consider the progress made towards volunteering objectives and any issues which require addressing. Performance is reported to members annually and individual volunteers' achievements are recognised via the quarterly newsletter.</p> <p>Appropriate policies, procedures and risk assessments are in place. They are available on the 'My Volunteering' system to ensure that volunteers have access to information required to comply with relevant authority</p>	<p>Induction training will be reviewed to consider how training on appropriate policies will be included.</p> <p>A condensed version of the H&S Policy has been written specifically for volunteers to make it more applicable to them and easier to read.</p>

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				procedures. Weaknesses Processes are not in place to ensure that volunteers have confirmed that they understand their responsibilities.	

Summary of Key Issues from audits completed – 2018/19

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Budgeting	High Assurance	The audit reviewed the authority's processes for the setting and monitoring of budgets including the involvement of service managers in the budget management process and how budget information is produced and reported to members.	March 2019	<p>Strengths It was found that the authority has a robust budget setting process in place that is line with Financial Regulations utilising the three year Business Plan and Medium Term Finance Strategy. This is then discussed with Directors and Budget Holders at Senior Leadership Team meetings on a monthly basis. Directors are individually responsible for managing their own budgets and are provided with the necessary tools to do so including a Financial Information System that is updated daily and a Q and A analysis system.</p> <p>Weaknesses It was found that a number of people have access to amend and update the master budgeting</p>	To review and document the process for updating the master budgeting spreadsheet ensuring there are protocols in place for making changes. To put training in place so that more than one person has a working knowledge of the master budgeting spreadsheet.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				spreadsheet but do not have the knowledge to do so consistently. There are no documented process notes for making changes to the spreadsheet and only one member of the Finance Team has the skills and knowledge to update it accurately.	
Cash Collection	Substantial Assurance	The audit consisted of a review of cash collection methods across the Authority including the processes in place to ensure cash is collected and banked efficiently and accurately.	March 2019	<p>Strengths It was found that generally there is a strong control environment in place for the collection of cash income from visitor centres and car parks. All cash income is stored securely prior to banking where necessary. Cash is banked by employees at the nearest local bank or post office branch. No issues were identified with the banking of car parking income.</p> <p>Weaknesses It was found that the information submitted by</p>	To identify how an audit log can be downloaded from the till to ensure takings balance with it.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				visitors centres is hand written and is not downloaded from the till. There is no till receipt provided to finance that can be used to ensure income taken by the visitor centres is accurate.	
Payment Cards	Substantial Assurance	The audit reviewed the processes in place for the management of purchasing cards, including the review of transactions, reconciliations, and management of VAT.	March 2019	<p>Strengths Guidance is in place and all credit cards are reconciled to the bank statement on a monthly basis.</p> <p>All transactions reviewed appeared reasonable.</p> <p>Weaknesses In some instances a VAT receipt was not provided, and therefore the VAT could not be reclaimed.</p>	Revised guidance to be issued to staff stating that a condition of using a card is that VAT receipts are obtained.
Information Security Compliance Check	Substantial Assurance	The objective of the audit was to assess the extent to which data and assets were being held securely within the Authority's main offices.	April 2019	<p>Strengths Data Security policies are in place.</p> <p>Weaknesses Some staff are still not security conscious and do</p>	Reminder to be issued to all staff of the requirement to keep all sensitive and personal information stored securely.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
				not ensure that sensitive information and electronic equipment is securely stored.	

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>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.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
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.



North York Moors National Park Authority

Internal Audit Plan 2019/20

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: 28 May 2019



Introduction

- 1 This document sets out the planned 2019/20 programme of work for internal audit, provided by Veritau for the North York Moors National Park Authority.
- 2 The work of internal audit is governed by the Public Sector Internal Audit Standards. In accordance with those standards, the Head of Internal Audit is required to provide an annual internal audit opinion to the Authority based on an objective assessment of the framework of governance, risk management and control. Our planned audit work includes coverage of all three areas.
- 3 The internal audit plan has been prepared on the basis of a risk assessment. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Authority's priorities and objectives. The plan was initially discussed with the S151 officer, and then a discussion document was prepared for Senior Leadership Team (SLT). The plan attached as Appendix A is produced following feedback from SLT.
- 4 The internal audit plan is submitted for formal approval by the Finance, Risk, Audit and Standards Committee who are responsible for monitoring progress against the plan and overseeing the work of internal audit. Any changes to the plan during the year will be agreed with the S151 Officer and will be notified to the Committee. We will provide regular updates on the scope and findings of our work to the Finance, Risk, Audit and Standards Committee throughout 2019/20.
- 5 The plan for 2019/20 is based on a total of 23 days audit work.

2019/20 Audit Plan

- 6 The plan includes work in the following areas:
 - **Strategic risks:** this work involves reviewing areas highlighted as specific risks in the Authority's corporate risk register.
 - **Financial systems:** to provide assurance on the key areas of financial risk. This work will help provide assurance that the controls for the key financial systems are adequate and effective. It will also support the work of the external auditors.
 - **Regularity / Operational audits:** this work will cover a number of the Authority's operational systems and areas.
 - **Technical / Projects:** to provide assurance on specific processes or key projects.

- **Client support, advice and follow up:** this is an allocation of time to support the delivery of the plan and provide advice on ad-hoc matters.

7 Details of the 2019/20 plan are set out in Appendix A.

Proposed Plan for 2019/20

Topic	Notes	Days
Budgeting	A review of the budget management process to ensure any potential variances and overspends are identified promptly and appropriate action taken.	3
HR and Payroll	A review of Payroll and HR processes. The audit will review the controls in place to make payments to staff and also compliance with HR procedures in relation to new starters and the management of existing staff.	7
IT Systems Development and Maintenance	The audit will review the processes in place for the implementation of new IT systems, and for carrying out upgrades and maintenance on existing systems.	4
Contract Management	A review of the process in place to manage major contracts.	5
Information Security compliance check	A check of compliance with data security policies to ensure the security of personal information.	1
Client Support and Advice	Liaison with external audit, attendance at Finance, Risk, Audit and Standards Committee, follow up etc.	3
Total		<u>23</u>