



Peak District National Park Authority

Internal Audit Annual Report

2015-16

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Head of Internal Audit: Max Thomas

Circulation List: Members of the Audit Resources and Performance Committee
Director of Corporate Resources
Chief Finance Officer (S151 Officer)

Date: 20 May 2016



Assurance Services for
the Public Sector

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) should provide an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit 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 2016, the Authority's internal audit service was provided by Veritau Limited.

Internal Audit Work Carried Out 2015/16

- 3 During 2015/16, 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 financial processes are operating correctly and 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 During the year one investigation was carried out. The investigation did not identify any issues that might impact on the overall audit opinion or that require inclusion in the Annual Governance Statement.
- 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 In order to comply with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit and Review Committee along with any areas of non-conformance with the standards. The QAIP consists of various elements, including:
- (a) maintenance of a detailed audit procedures manual and standard operating practices;
 - (b) ongoing performance monitoring of internal audit activity;
 - (c) regular customer feedback;
 - (d) training plans and associated training and development activities;
 - (e) periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).
- 7 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was last carried out in April 2014.
- 8 The outcome of the previous QAIP demonstrates that the service conforms to the Public Sector Internal Audit Standards. The QAIP for 2016 is currently being completed and the results will be presented to this committee when available.

Audit Opinion and Assurance Statement

- 9 In connection with reporting, the relevant professional standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
- (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 CAE judges are of particular relevance to the preparation of the Annual Governance Statement

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit Resources and Performance Committee.

(f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme

10 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.

Table of 2015/16 audit assignments completed to 31 March 2016

Audit	Status	Assurance Level
Financial Systems		
Payroll	Completed	Substantial Assurance
Budget Management	Completed	High Assurance
Information Systems		
PCI DSS	Completed	Reasonable Assurance
IT Systems Control follow up	Completed	High Assurance
Operational Systems		
Visitor centres	Completed	No opinion
Grants	Completed	High Assurance.
Asset Management	Completed	High Assurance
Governance/Risk Management		
Risk Management	Completed	High Assurance
Complaints Procedure	Completed	Substantial Assurance
Fraud Awareness / Whistleblowing	Completed	Substantial Assurance
Information Governance follow up	Completed	High Assurance.

Summary of Key Issues from audits completed to 31 March 2016

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Payroll	Substantial Assurance	<p>The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:</p> <ul style="list-style-type: none"> • The payroll is accurate and all amendments and additions have been processed • Effective monitoring arrangements are in place • Legal requirements are met 	22 October 2015	<p>Strengths</p> <p>PDNPA carry out a range of checks to verify the accuracy of the payroll information.</p> <p>Weaknesses</p> <p>There are limited formal contract monitoring arrangements. No assurance is provided by DCC in relation to performance and data security.</p>	The SLA is due to be renewed March 31 st 2016 and we will have joint meetings with DCC to consider the recommendations and agree new terms where we can make improvements in line with the findings in this report.
Budget Management	High Assurance	<p>The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:</p> <ul style="list-style-type: none"> • Budget preparation procedures are in place and working effectively. • Budget monitoring, review and reporting procedures are in place and working effectively. • Variances and unusual 	19 February 2016	<p>Strengths</p> <p>The budget is linked to organisational priorities and expected financial pressures. A variety of financial information is available to allow for effective monitoring of financial performance and the identification of issues.</p> <p>Weaknesses</p> <p>No significant control weaknesses identified.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		amounts are investigated			
Payment Card Industry Data Security Standard (PCI DSS)	Reasonable Assurance	The purpose of this audit was to provide assurance to management that the controls which the authority had put in place to manage key risks in relation to PCI DSS compliance are effective	23 October 2015	<p>Strengths</p> <p>Overall it was found that the authority recognises the need for compliance, and has taken some practical steps towards ensuring this, against the backdrop of a very complex regulatory regime</p> <p>Weaknesses</p> <p>Merchant copy receipts do not comply with recommended practice.</p> <p>There is no policy to govern compliance measures, and no overall responsibility for managing compliance has been formally assigned.</p>	<p>Hardware supplier to be contacted.</p> <p>A finance officer has been identified to review compliance and required documentation.</p>
IT Systems Control follow up	High Assurance	The objective of this audit was to review progress towards the completion of the actions raised in the original IT Systems Controls audit	17 February 2016	<p>Strengths</p> <p>Of the nine agreed actions, most of which included several elements, seven have been fully implemented. The remaining two agreed actions have been substantially implemented, and the Authority is working towards completing the outstanding</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
				<p>elements. Reasonable target dates for the completion of these remaining actions have been set.</p> <p>Weaknesses</p> <p>No significant control weaknesses identified.</p>	
Visitor centres	No opinion	<p>The purpose of this audit was to provide assurance to management that the controls which the Authority had put in place to manage cash and valuables are effective</p>	23 October 2015	<p>Strengths</p> <p>Most actions resulting from the previous audit have been implemented effectively.</p> <p>Weaknesses</p> <p>Some actions were still outstanding pending results of office review.</p>	
Grants	High Assurance	<p>The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:</p> <ul style="list-style-type: none"> • There is a clear application process for each grant • procedures for awarding grants are applied consistently • There are procedures in 	28 January 2016	<p>Strengths</p> <p>There are clear processes in place for awarding grants and to ensure suitable monitoring takes place.</p> <p>Weaknesses</p> <p>No significant control weaknesses identified.</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>place to monitor and review performance and outcomes regularly</p> <ul style="list-style-type: none"> • Appropriate financial management procedures are in place 			
Asset Management	High Assurance	The objective of this audit was to ensure a suitable framework was in place for the management of the Authority's assets.	14 October 2015	<p>Strengths</p> <p>The Authority enlisted the help of consultants to conduct an asset review, which has informed their asset management strategy and plans. The policy clearly indicates the strategic intentions for asset management and offers information on how these will be achieved</p> <p>Weaknesses</p> <p>No significant control weaknesses identified.</p>	
Risk Management	High Assurance	<p>The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:</p> <ul style="list-style-type: none"> • significant risks are identified and addressed • actions are carried out in 	1 February 2016	<p>Strengths</p> <p>All required risk registers are in place have dates for actions and identified responsible officers.</p> <p>Weaknesses</p> <p>No significant control weaknesses identified</p>	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		<p>a timely manner, ensuring risks are mitigated</p> <ul style="list-style-type: none"> the requirements of the risk management policy are followed 			
Complaints Procedure	Substantial Assurance	The purpose of this audit was to provide assurance that a suitable procedure was in place to resolve customer complaints and improve services.	5 February 2016	<p>Strengths</p> <p>The complaints procedure is widely accessible to the public, fit for purpose and up to date. There is also early and direct contact with any complainant. In addition, effective performance monitoring arrangements are in place in the form of Quarterly Reports and an Annual Review to the ARP Committee and consideration by senior managers at the quarterly performance meetings.</p> <p>Weaknesses</p> <p>Some information was missing from the complaints database.</p>	All staff involved in complaint handling will be reminded that they need to ensure all actions taken, including agreements to extend deadlines for responses or to hold meetings, are notified to the Democratic and Legal Support Team so that the complaints database and files can be kept up to date.
Fraud Awareness / Whistleblowing	Substantial Assurance	The purpose of this audit was to review the anti fraud and corruption	20 October 2015	<p>Strengths</p> <p>Both policies reflect current legislation and are widely</p>	Contact details and timescales to be added to the policy

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		policy, and the whistleblowing policy. against best practice guidance.		<p>available. On the rare occasions they have been utilised the appropriate procedures have been followed.</p> <p>Weaknesses</p> <p>The whistleblowing policy does not include contact details or estimates of anticipated timescales.</p>	
Information Governance follow up	High Assurance.	The objective of the audit was to review progress towards the completion of the actions raised in the 2014-15 Information Governance audit	17 February 2016	<p>Strengths</p> <p>Of the seven agreed actions, most of which included several elements, five have been fully implemented. The remaining two agreed actions have been substantially implemented, and the Authority is working towards completing the outstanding elements. Reasonable target dates for the completion of these remaining actions have been set.</p> <p>Weaknesses</p> <p>No significant control weaknesses identified.</p>	

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.