

Audit, Resources and Performance Committee 20 January 2017 - Item 6 Appendix 1

**Woodlands Management
Peak District National Park Authority
Internal Audit Report 2016/17**

Responsible Officer: Director of Commercial Development and Outreach
Service Manager: Estates Manager – Property Services
Date Issued: 6 January 2017
Status: Final
Reference: 69167/001

	P1	P2	P3
Actions	0	1	5
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The National Park Authority (NPA) operates a system of acquisitions and disposals, introduced to ensure that available resources are directed to those woodlands most in need of the level of management and conservation that the NPA can provide. However, following a recent consultation, the decision was taken to reduce the number of woodlands under the authority's ownership such that a greater focus can be placed on its remaining woodland portfolio.

At an operation level, woodland management involves activities such as the thinning of young trees to create attractive and productive woodland, maintaining biodiversity, developing and improving public access and the maintenance and rebuilding of walls to exclude livestock.

The routine management of the authority's woodlands has been outsourced to contractors for the last ten years. This allows for the retention of a skilled woodland workforce which can also be flexible to meet changing demands.

A modest income is generated from the NPA's woodland resource through the small-scale sale of timber.

Objectives and Scope of the Audit

The purpose of this audit is to provide assurance to management that procedures and controls within the system will ensure that:

- Woodland management is performed in accordance with relevant standards and best practice
- Procurement is undertaken in line with the authority's Standing Orders
- Adequate safeguards are in place in respect of income-generating activities and woodland disposals are carried out in accordance with the authority's Standing Orders
- Available resources are managed effectively

Key Findings

The woodland management planning documentation in the form of the three Woodland Management Plans and Woodland Asset Management Plan are extremely comprehensive and compliant with the UK Woodland Assurance Standard (UKWAS) – the nationally recognised certification standard. The Woodland Asset Management Plan is, however, outdated. It is clear that the Woodlands Manager possesses extensive knowledge of the authority's woodlands but the practical approach adopted, while ensuring sensitive and appropriate management on the ground, has

meant that management information at the operational level has largely been neglected (management information at the strategic level is, however, more structured). This same practical approach has resulted in effective management of contractors such that there is little likelihood of inappropriate operational activity. That said, the regular yet informal nature of supervision of the Woodlands Manager by Estates Manager – Property Services means that monitoring of progress towards operational and strategic objectives could be improved.

Repeated use of the same contractors combined with a lack of spend analysis was found to have resulted in cumulative expenditure in excess of procurement thresholds set out in the current Standing Orders. Also, a lack of segregation of duties in the ordering, goods receipting and authorisation of invoices was observed.

A major current focus of management effort is the woodlands disposal project. This appears to be very well governed and controlled, with evidence available to support the fact that there is sufficient challenge prior to disposal of woodland assets and a high degree of transparency in the process.

At the time of the audit, an improved system for the sale of timber was being decided upon which will require all timber from planned felling to be sold from standing rather than after extraction and any subsequent processing. As this system had not yet been formally adopted, no testing was carried out in this area.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Management information

Issue/Control Weakness

Lack of management information at the operational level.

Risk

Objectives of the Woodland Management Plans are not achieved.

Findings

It is apparent that the Woodlands Manager possesses a comprehensive understanding of the authority's woodlands. This understanding has come about as a result of the officer's experience and practical approach to woodland management but has had the effect of reducing time available to update compartment records with management information such that they are now outdated. Compartment records are monitoring documents which should record the management activity that has been undertaken in each woodland compartment (e.g. felling, access works, boundary maintenance). As a result of these documents not being completed, it is not possible to verify that the management activity has in fact been undertaken and, therefore, the extent of progress made against the Woodland Asset Management Plans.

The time available to complete the compartment records has been further reduced by the additional work generated by the Countryside Stewardship Grant and the fact that the officer is only contracted for part time hours.

Agreed Action 1.1

A new Estate Maintenance Ranger post has been created and advertised internally, with candidates having been interviewed in December 2016. The ranger will be responsible for assisting the Woodlands Manager with some of the practical tasks such as wall and fence repairs, supervision and inspection of minor contract works and reporting of any issues. The position is being trialled for a fixed term of two years and will be shared across the trails and car parks, Warslow Moors Estate and the woodlands. The woodlands budget will contribute 30% to the cost of the post.

Priority

2

Responsible Officer

Estates Manager –
Property Services

Timescale

February 2017

2 Woodland Asset Management Plan

Issue/Control Weakness

Lack of a review schedule.

Risk

The approach to woodland management is not aligned with the authority's asset management strategy and thus corporate objectives are not met.

Findings

The authority has in place a Woodland Asset Management Plan (WAMP) which serves as an overarching woodland management approach. In accordance with the UKWAS standard, management objectives have been set which are used to guide, at the broadest level, management activity. However, the document was prepared by the former Woodland Asset Manager in 2010 and, as such, several sections are now outdated. While the overall management principles remain relevant, information in respect of performance, woodland ownership, the rolling programme of acquisition and disposal, direct labour and funding opportunities is less so.

Consultants DTZ and Smiths Gore completed a Strategic Property Review (SPR) for the authority in December 2013. Members agreed that the SPR be adopted as the asset management plan and this runs until at least 2017. The SPR is in some respects more detailed than the WAMP and, as would be expected, better reflects the current situation with the woodland portfolio. It is not, however, a like-for-like replacement for the WAMP and management has yet to decide whether or not an updated version is required.

Agreed Action 2.1

The Woodland Asset Management Plan will be updated.

Priority

3

Responsible Officer

Estates Manager –
Property Services

Timescale

December 2017

3 Supervisory structure

Issue/Control Weakness

Lack of a formal supervisory structure.

Risk

Strategic woodland management objectives are not met.

Findings

The Estates Manager – Property Services is responsible for the management of the Warslow Moors Estate, three other smaller properties and the woodland portfolio. The officer is also responsible for the rural disposals programme. Management of the woodlands is delegated to the Woodlands Manager under the structure of the Rural Management and Consultancy Team which Estates Manager – Property Services leads.

Discussions held with Estates Manager – Property Services established that, whilst there is a formal supervisory structure in place through the JPAR process from which to monitor and provide support to the Woodlands Manager, there could be more regular planned meetings between these officers. The Estates Manager – Property Services and Woodlands Manager share an office and do regularly contact each other via mobile telephone but the nature of the Woodland Manager role (where the officer can be out of the office for extended periods) means that a more formal structure would be beneficial. While the existing arrangements are appropriate for becoming aware of and resolving immediate issues, they do not allow for longer-term strategic management, for example monitoring against the objectives of the Woodland Management Plans.

Agreed Action 3.1

The Estates Manager – Property Services and Woodlands Manager will hold a formal meeting on a weekly basis in which progress towards the longer term strategic management objectives of the authority’s woodlands will be discussed.

Priority	3
Responsible Officer	Estates Manager – Property Services
Timescale	Implemented

4 Procurement practice

Issue/Control Weakness

Overuse of the same contractors.

Risk

Procurements practices are not compliant with The Public Contracts Regulations 2015.

Findings

During 2015/16, cumulative spend with three suppliers on the Authority Managed Woodlands cost centre exceeded £5,000. This has meant that, over a 12 month period, suppliers have been contracted to carry out a value of work for the authority that would ordinarily require three written quotations. As a result of this disaggregation, rule 2.6.1 of the Contract Procedure Rules would have been breached had the new Contract Procedure Rules been in force. Brief review of spend during the current financial year showed that the same suppliers are still undertaking the majority of woodland maintenance work, although expenditure was not yet at a level in excess of the limit at which three written quotations are required for 2016/17.

The amount of work of this type is not necessarily straightforward to predict on an annual basis, although there will clearly be a requirement to do some work of this nature. The current process for selection of contractors is poorly controlled and very informal. Given that there will always be a requirement to undertake work of this type, a more formalised approach is likely to bring clarity to the process and could potentially bring financial savings.

Agreed Action 4.1

The Woodlands Manager is complying with the new Contract Procedure Rules.

Priority

3

Responsible Officer

Woodlands Manager

Timescale

Implemented

Agreed Action 4.2

The Estates Manager – Property Services will work with Head of Finance, Legal Services and the Property Support Team managers to introduce approved provider lists with suitable contractors across the authority's properties, including woodlands.

Priority

3

Responsible Officer

Estates Manager –
Property Services

Timescale

April 2017

5 Segregation of duties

Issue/Control Weakness

Lack of segregation of duties.

Risk

Fraud.

Material misstatement.

Findings

In several instances, the Woodlands Manager was found to have both raised a purchase order for works against the Authority Managed Woodlands cost centre and then subsequently authorised the corresponding invoice for payment. Goods receipting had been undertaken by officers who are not likely, due to the nature of the works undertaken, to have directly verified their completion. While it is appreciated that this approach does provide for expediency, it does not allow for sufficient segregation of duties.

Agreed Action 5.1

The Financial Procedure Rules require that, of the three authorisation processes involved (purchase order approval, confirmation of goods and services received and approval of invoices) an officer with the appropriate delegated authority can only perform two of the three actions to maintain appropriate segregation of duties.

Priority

3

Responsible Officer

Woodlands Manager

Timescale

Implemented

The officer signing that goods and services have been received should only do this if they are in a position to have directly verified that the work has been undertaken. In some circumstances the invoice approval will be required to be at a higher level to maintain this segregation.

In some circumstances invoice approval will be required to be at a higher level to maintain segregations and the employment of the Estate Maintenance Ranger will also help address this matter.

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.

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