



Main Accounting

Peak District National Park Authority

Internal Audit Report 2016/17

Business Unit: PDNPA
Responsible Officer: Director of Corporate Services
Service Manager: Head of Strategy and Performance
Date Issued: 23 March 2017
Status: Final
Reference: 69125/002

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	High Assurance		

Summary and Overall Conclusions

Introduction

The Budget Management system is one of the key internal control systems operated by the Authority. Effective budget preparation and monitoring will enable the Authority to be assured the financial position is being robustly and properly managed and is linked to the Authority's objectives. Good budget management also assists in identifying errors or unusual transactions.

Effective budget management is particularly important in light of budgetary pressures in the current financial climate and the Authority's reliance on the Defra grant for funding.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the statement of asset valuation principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). Details of fixed assets and their treatment are maintained, in accordance with established accountancy practice guidelines, to arrive at an accurate representation of the year-end position in the Authority's published accounts.

Objectives and Scope of the Audit

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

- Main accounting systems are up to date and are a true reflection of the Authority's finances
- Capital receipts are recorded correctly
- Capital Spend is monitored accurately
- Assets are recorded and valued correctly

Key Findings

The arrangements for budget management appear to be working well. The budget is approved by Members and has been uploaded correctly onto the finance database, and a monitoring spreadsheet is used through the year which reflects any changes that have been made to the approved budget, such as virements. Budgets are monitored by budget holders, and although there are only a few points throughout the year that they are required to provide information to present to Resources Management Team and Members, there is an ongoing expectation that there will be no unexplained discrepancies when budget information is required. Budget holders are provided with a timetable of the points in the year when they are required to provide the information, and a reminder is sent when that point is reached.

If one of the Finance Officers has input the journal, they do not require separate authorisation. However if the journal was input by a Finance Assistant, they are authorised by one of the Finance Officers. Bank reconciliations are carried out with appropriate frequency. The weekly 'mini'

reconciliation is checked and authorised by one of the Finance Officers, and the monthly full reconciliation is checked and authorised by the Head of Finance. Although this is not carried out as frequently as would be desired due to work pressures, the weekly reconciliations are authorised each week and the monthly is just a summary of these. When they are authorised, they are done with a very good level of detail.

Capital sales are all approved by Members, in line with the capital plan. As there is no budget allocated to capital receipts in order to aid easy monitoring, there are working papers from year end showing movement of all capitalised funds. Any expenditure relating to capital receipts is deducted from the income before the funds are moved at year end. Capital expenditure is monitored throughout the year in the same way as any other expenditure.

Assets are revalued in line with the agreed 5 year cycle, and the fixed asset register maintained by finance is updated with any new valuations resulting from this. There are clear instructions for how the register should be updated each year. From the sample reviewed, all assets had been depreciated correctly.

The asset master register is maintained by the Property Management Team, although both officers who have previously been responsible for updating this are currently not available. No written instructions could be provided as to how it should be updated and no information relating to 2014/15 or 2015/16 is included on the register provided. The property and finance asset registers have not been reconciled since 2011 and it was not clear if the master register maintained by the Property Management Team is up to date.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided **High Assurance**.

1 Asset Master Record

Issue/Control Weakness

Lack of procedure notes

Risk

The record of assets is incomplete

Findings

Both officers who have been involved in maintaining the master property register are unavailable – one is off sick and the other has left the Authority. This means that currently there is no-one who knows whether the register is fully up to date or how to do this. There are no procedure notes available to provide instruction, and the property master register has not been reconciled to the finance fixed asset register since 2011. The Property Management team need to ensure that the register is up to date, and there is a process in place in order for it to remain so.

Agreed Action 1.1

A procedure note has been produced. The property database will be updated and will form the asset Master List from which a copy will be produced and checked for accuracy annually by the Property Manager before being passed to the Head of Finance. The Head of Finance will reconcile the finance fixed asset register to the annual property master register before the annual accounts are processed.

Priority

3

Responsible Officer

Property Manager/Head of Finance

Timescale

Property database updated by 31 October 2017
Annual master list by 01 April 2017
Head of Finance to check April annually going forwards

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.

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