



## **Peak District National Park Authority**

### **Internal Audit Annual Report**

**2016-17**

**Audit Manager:** Ian Morton  
**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:** 19 May 2017

  
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 2017, the Authority's internal audit service was provided by Veritau Limited.

## Internal Audit Work Carried Out 2016/17

- 3 During 2016/17, 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 Veritau carried out one additional piece of work providing support to the Authority in response to a complaint from a member of the public. 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 for those audits not reported in detail elsewhere on today's agenda. 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 2017 is yet to be completed, but further details of the 2017 Quality Assurance and Improvement Action Plan will be provided 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)<sup>1</sup> should provide an annual report to the board<sup>2</sup>. 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

---

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

<sup>2</sup> 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 2017

Audit	Reported to ARP	Assurance Level
<b>Financial Systems</b>		
Creditors	May 2017	Substantial Assurance
Main Accounting	May 2017	High Assurance
<b>Information Systems</b>		
IT Infrastructure Project Support	N/A	No Assurance level provided
<b>Operational Systems</b>		
Health and Safety	May 2017	High Assurance
Planning	May 2017	Substantial Assurance
Woodlands Management	Jan 2017	Substantial Assurance
Vehicles and Equipment	Jan 2017	Reasonable Assurance.
<b>Governance/Risk Management</b>		
Risk Management	May 2017	High Assurance
Information Governance Compliance	May 2017	Reasonable Assurance.

Summary of Key Issues from completed audits not reported elsewhere on this agenda

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
Woodlands Management	Substantial Assurance	<p>The audit reviewed the procedures and controls in place in relation to woodlands management to ensure that:</p> <ul style="list-style-type: none"> <li>• Woodland management is performed in accordance with relevant standards and best practice</li> <li>• Procurement is undertaken in line with the authority's Standing Orders</li> <li>• 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</li> <li>• Available resources are managed effectively</li> </ul>	January 2017	<p><b>Strengths</b> The Woodland Asset Management Plan is extremely comprehensive and compliant with the UK Woodland Assurance Standard (UKWAS)</p> <p><b>Weaknesses</b> The Woodland Asset Management Plan is in need of update, and there is a lack of management information at an operational level. Segregation of duties and supervisory arrangements could be improved.</p>	<p>The plan will be updated and a new post has been established within the service.</p> <p>Formal weekly meetings will be held between key staff within the service.</p>

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
Vehicles and Equipment	Reasonable Assurance	<p>The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that operational vehicles, pool cars and equipment are:</p> <ul style="list-style-type: none"> <li>• subject to appropriate security and storage,</li> <li>• maintained to acceptable standards</li> <li>• and their associated fuel and servicing costs are effectively managed and monitored</li> </ul>	January 2017	<p><b>Strengths</b>  Appropriate physical security arrangements are in place to protect authority owned vehicles and equipment.  Fuel usage is well managed</p> <p><b>Weaknesses</b>  Maintenance schedules and records of servicing for the special fleet are not always retained.  Equipment maintenance arrangements are inconsistent.  Mileage log sheets are not authorised by managers  Lists of key holders are not in place for sites where authority assets are stored</p>	<p>Maintenance records to be improved.</p> <p>Log sheet to be redesigned and key holder list produced</p>

### Audit Opinions and Priorities for Actions

<b>Audit Opinions</b>	
<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>	
<b>Opinion</b>	<b>Assessment of internal control</b>
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.

<b>Priorities for Actions</b>	
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.