Peak District National Park Authority

Internal Audit Annual Report

2017-18

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Head of Internal Audit:	Max Thomas
Circulation List:	Members of the Audit Resources and Performance Committee
	Director of Corporate Strategy & Development
	Chief Finance Officer (S151 Officer)
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Veritau

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 2018, the Authority's internal audit service was provided by Veritau Limited.

Internal Audit Work Carried Out 2017/18

3   During 2017/18, 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   No investigations into suspected fraud or other irregularities were carried out during the year

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, Resources and Performance 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 2018 is yet to be completed, but further details of the 2018 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)[1] should provide an annual report to the board[2]. 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

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[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 207/18 audit assignments completed to 31 March 2018

Audit	Reported to ARP	Assurance Level
Income and Debtors	May 2018	High Assurance
Procurement	January 2018	Substantial Assurance
Creditors	May 2018	High Assurance
Information Governance	May 2018	Substantial Assurance
Performance Management	January 2018	Substantial Assurance
IT Systems control	May 2018	Substantial Assurance
Information Security Compliance check	May 2018	Reasonable Assurance
Risk Management	January 2018	High 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
Procurement	Substantial Assurance	The purpose of this audit was to provide assurance to management that: • The tender process complies with the authority's procurement policies and directive on spend. • All spend is tendered/quoted where necessary and tenders are recorded appropriately. • The authority's procurement activities ensure best value.	January 2018	**Strengths** Testing identified that tenders of varied values followed the relevant procurement rules. The correct documentation was present for all tenders. There is a high level of awareness of the need to comply with procurement policies and the importance of securing best value during procurement activities. **Weaknesses** Insufficient monitoring and management of aggregated spend of suppliers is undertaken. This is currently the responsibility of budget managers, but does not always take place. There is no formal procedure to score tenders	The responsibility will remain with budget managers to use the FRED reports to identify aggregated spend and alter their procurement approach accordingly. However, the Finance Team will monitor these aggregated expenditures to ensure the rules are being followed. The legal team are currently trialling a more sophisticated scoring system to ensure that tender and quotation criteria are transparent and objectively evaluated and quantifiably evidenced with a view to rolling out the scoring system

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
				or quotations for best value under £25,000.	
Performance Management	Substantial Assurance	The purpose of this audit was to provide assurance to management that the appraisal process was being correctly followed within required timescales and that managers feel adequately supported to carry out their role effectively	January 2018	**Strengths** A briefing note has been produced that provides comprehensive instructions on how to carry out an effective appraisal. Directors also have responsibility for sample checking compliance with policy and the completion of appraisals. **Weaknesses** Due to re-structuring and staffing changes not all appraisals had been completed within the required timescale.	
Risk Management	High Assurance	The purpose of the audit was to ensure that: • significant risks are identified and addressed • actions are carried out in a timely	January 2018	**Strengths** The procedures in place for the identification, monitoring and reporting of risk appear robust. Risks are reviewed quarterly and scores and action plans	Responsible officers have been allocated for those risk identified. All risk management policy documents to be reviewed and signed off by ARP

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
		manner, ensuring risks are mitigated • the requirements of the risk management policy are followed		updated. The annual report to Audit, Resources and Performance Committee clearly shows the movement of key risks throughout the year. **Weaknesses** One service risk register did not identify the responsible officer for some risks The risk management policy and procedures have not been reviewed for a number of years	

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.