Appendix 1

Peak District National Park Authority

Internal Audit Annual Report

2018-19

Audit Manager: Ian Morton
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)

Date: 17 May 2019

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 2019, the Authority's internal audit service was provided by Veritau Limited.

Internal Audit Work Carried Out 2018/19

3 During 2018/19, 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 To comply with Public Sector Internal Audit Standards (PSIAS), internal auditors working in local government are required to maintain a quality assurance and improvement programme (QAIP). As part of this programme, providers are required to have an external assessment of their working practices at least once every five years. An external assessment of Veritau Limited and VNY Limited internal audit practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). The report concludes that internal audit activity generally conforms to the PSIAS[1] and, overall, the findings were very positive.

7 The QAIP for 2019 is yet to be completed, but further details of the 2019 Quality Assurance and Improvement Action Plan will be provide to this committee when available.

Audit Opinion and Assurance Statement

8 In connection with reporting, the relevant professional standard (2450) states that the Chief Audit Executive (CAE)[2] should provide an annual report to the board[3]. 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

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

9 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.

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[1] PSIAS guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

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

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

Appendix A

Table of 2018/19 audit assignments completed to 31 March 2019

Audit	Reported to ARP	Assurance Level
Payroll	January 2019	High Assurance
Budget Management	May 2019	Substantial Assurance
Visitor Centre	January 2019	Substantial Assurance
Volunteers	May 2019	Reasonable Assurance
Cyber Security	January 2019	Substantial Assurance
Information Security Compliance Check September 2018	January 2019	Reasonable Assurance
Information Security Compliance Check January 2019	May 2019	Substantial Assurance
GDPR	May 2019	Substantial Assurance
Vehicles and Equipment	May 2019	Reasonable Assurance

Appendix B

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
Payroll	High Assurance	The purpose of this audit was to provide assurance to management that: • Accurate and prompt information is provided to the payroll provider. • Appropriate monitoring is carried out to ensure the payroll run was accurate. • Information is sent and received securely.	January 2019	**Strengths** A sample of starters, leavers and amendments to pay was reviewed. The process for initiation and authorisation of transactions were found to be operating effectively. There are various aspects of monitoring carried out by different levels of staff including review of HR forms and variances in pay. A sample of these were checked and found to match and pay reconciliations balanced to zero. Annually, both HR and Finance carry out large scale checks on the accuracy of data. This has been beneficial as it has identified inaccuracies which have since been rectified.	Processes to be improved to include suitable audit trail. The establishment check should be completed annually and 2017/18 was an exception. The current year's check will be signed off by the end of December 2018. We will bring forward the check so it is performed in April each year which should help its timeliness.

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
				Payroll information is transferred using a recognised method of sending information securely, and includes a number of layers of security. **Weaknesses** There is no audit trail or quality assurance process for some checks carried out by PDNPA staff. Finance establishment checks are undertaken infrequently.	
Visitor Centre	Substantial Assurance	The purpose of this audit was to provide assurance to management that: • Income from the Visitor Centres is collected correctly, reconciled and banked promptly. • The ordering and managing of stock is	January 2019	**Strengths** Robust processes are in place. Cashing up, the updating of the income record sheet and reconciling to the till roll is undertaken daily allowing for the income through card, cash and subsequently total income to be confirmed on a daily basis. Any discrepancies	The Exchequer finance system has been changed to include minimum and maximum levels for each line of stock. Once stock levels for all items have been input to the system, there will be no requirement for the Retail Merchandiser to analyse levels of sale to judge the quantity of stock required

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
		managed effectively.		are identified and highlighted on the income record sheet and where necessary investigated by the Visitor Centre Manager. Banking is undertaken weekly with cash stored securely prior to collection. From the sample of orders reviewed all were supported by a purchase order, were reconciled to the delivery note and the stock system was updated in a timely manner. **Weaknesses** Stock levels are not monitored using information from the stock management system. The system also does not include minimum and maximum levels for each line of stock.	to purchase.
Cyber Security	Substantial Assurance	The purpose of the audit was to ensure that: • Staff receive	January 2019	**Strengths** The Authority has procedures in place for recording and reporting	Further training courses through the ELMS provisions will be rolled out over the next few months,

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
		sufficient cyber security training to reduce the possibility of a cyber attack affecting the Authority's network. • There are logical controls in place to prevent cyber security incidents. • There are physical controls in place to prevent environmental damage and unauthorised access to the Authority's data. • There are processes in place to respond to cyber security incidents.		Data Breaches and Cyber Security incidents. The Authority's network management is subcontracted to a third party (ServerChoice) and the Authority has verified that ServerChoice is working to industry best practice. The Authority's network is protected by a firewall that is kept up-to-date; the rules for the firewall are reviewed periodically to ensure that they are appropriate and meet the needs of the business. The Authority has invested in software that allows the ICT team to monitor the network and prevent certain types of devices from connecting to the network and/or to an Authority computer. The Authority is also replacing all windows 7 laptops (due to be completed by 2020)	with the aim of all staff completing the course by the end of July 2019.

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
				to windows 10 machines that will allow them to encrypt the laptops. High risk devices have already been replaced. **Weaknesses** There is no mandatory Cyber Security training that staff are required to undertake.	
Information Security Compliance Check September 2018	Reasonable Assurance	The objective of the visit was to assess the extent to which data and assets were being held securely within Aldern House. This included hard copy personal and sensitive information as well as electronic items such as laptops and removable media. The audit was a review to ensure compliance with data security policies.	January 2019	**Strengths** The amount of unsecured sensitive and personal documentation found left on desks is reducing, and the documentation identified was low level personal data rather than anything sensitive. **Weaknesses** Some members of staff are still not being security conscious and do not ensure that sensitive information is securely stored or that equipment is locked away after use or is	A clean up and clear out has taken place throughout October – securely disposing of any old information (such as that found in the Mezzanine) and moving any material that is still required to more suitable locations. Relevant employees have been reminded never to leave the key in the lock and the key is now held in a separate secure location at all times.

System/Area	Opinion	Area Reviewed	Reported to ARP	Comments	Management Actions Agreed & Follow-Up
				securely locked to the desk. A number of keys providing access to other documentation and equipment were unsecured. Some old documentation was located stored in an unsecure area.	

Appendix C

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.