PEAK DISTRICT NATIONAL PARK

Peak District National Park Authority

Internal Audit Annual Report

2014-15

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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:	22 May 2015

Veritau
Assurance Services for
the Public Sector

Background

1   The work of internal audit is governed by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Chief Audit Executive (Head of Internal Audit) must 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 2015, the Authority's internal audit service was provided by Veritau Limited.

Internal Audit Work Carried Out 2014/15

3   During 2014/15, 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 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 one investigation was carried out. The investigation did not identify any evidence of fraud or any dishonest action by staff although a number of recommendations were made to improve controls.

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 and appendix C provides an explanation of our assurance levels and priorities for management action.

Professional Standards

6   Veritau has developed a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. As well as undertaking a survey of senior management in each client organisation and completing a detailed self assessment to evaluate performance against the Standards, an external assessment of working practices was conducted by the South West Audit Partnership (SWAP) in April 2014. The results of the assessment provide evidence to support the QAIP as well as helping to inform the Improvement Action Plan for 2014/15.

7   The outcome of the QAIP demonstrates that the service conforms to *International Standards for the Professional Practice of Internal Auditing*. Further details of the QAIP and Improvement Action Plan prepared by Veritau are given in **Appendix D.**

Audit Opinion and Assurance Statement

8   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

(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] 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.

Table of 2014/15 audit assignments completed to 31 March 2015

Audit	Status	Assurance Level
Financial Systems		
Income/debtors	Completed	High Assurance
Purchasing/Creditors	Completed	High Assurance
Information Systems		
IT systems controls	Completed	Limited Assurance
Operational Systems		
Minerals Planning	Completed	High Assurance
Governance/Risk Management		
Risk Management	Completed	Substantial Assurance
Benchmarking	Completed	High Assurance
Information Governance	Completed	Reasonable Assurance
Project Management	Completed	Substantial Assurance

Summary of Key Issues from audits completed to 31 March 2015

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Income/debtors	High Assurance	A review of cash collection systems, and the processes in place to ensure debtors accounts are raised promptly and suitable recovery action is taken.	27/10/14	**Strengths** In general systems work well, with invoices raised promptly and recovery action taken in accordance with agreed timescales. **Weaknesses** No significant control weaknesses identified.	
Purchasing/Creditors	High Assurance	A review of the creditors system to ensure that appropriate processes are in place to ensure all payments made are accurate and to ensure that purchases are in accordance with procurement rules.	27/10/14	**Strengths** Invoices are generally raised, authorised and certified for payment in line with procedures. **Weaknesses** No significant control weaknesses identified.	
IT systems controls	Limited Assurance	A review of procedures and controls within the system to ensure that data remains accessible, unauthorised persons cannot access data; and	20/02/15	**Strengths** Overall the system operates well. No major data incidents have occurred. **Weaknesses**	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		assets and consumables containing PDNPA data are appropriately disposed of at the end of their use.		There is a lack of policy and procedure documents necessary for ensuring the long-term effectiveness of some IT processes. In addition, the IT disaster recovery plan is out of date, and encryption of data on portable devices and media is applied inconsistently.	New IT disaster recovery plan to be produced. Security of back up media and encryption to be reviewed
Minerals Planning	High Assurance	A review of procedures and controls in place to ensure that: • minerals planning applications are processed in line with policy and legislation • enforcement activity is appropriate • ongoing permissions are monitored where required including dormant sites.	5/03/15	**Strengths** There is a comprehensive pre-application checklist in place. Over 60% of applications are determined within timescale, well above national targets. **Weaknesses** No significant control weaknesses identified.	
Risk Management	Substantial	A review of systems in	27/10/14	**Strengths**	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
	Assurance	place to identify and manage risks.		Risk management appears to be embedded within the Authority and risk registers are updated on a regular basis. **Weaknesses** Significant service risks are not automatically promoted to the corporate risk register. Individual actions to address identified risks do not have timescales for completion.	All service red risks will be reviewed at quarterly management meetings to determine whether they need to be escalated to the corporate register. All managers to review their risk registers and ensure timescale is completed. Senior Performance Officer to check service registers quarterly.
Performance Management and Benchmarking	High Assurance	A review of the performance management framework and the process in place to compare performance against similar organisations.	20/02/15	**Strengths** A clearly defined Performance Management Framework is in place, which is clearly linked to PDNPA objectives. **Weaknesses** No significant control weaknesses identified.	
Information	Reasonable	A review of the controls	27/10/14	**Strengths**	The new Head of

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
Governance	Assurance	to manage risks relating to compliance with the Data Protection Act (DPA), Freedom of Information Act (FOIA) and Environmental Information Regulations (EIR.)		The Authority has developed good policy documents setting out information governance principles to be followed, and staff in information governance roles have an excellent understanding of the Authority's legal obligations. **Weaknesses** The Authority has not formally designated a Senior Information Risk Owner (SIRO), as required by... Further development is also needed to ensure staff receive appropriate training, data retention periods are defined and followed and data assets are inventoried.	Information Management will be formally designated as the SIRO. Training and guidance procedures will be improved including an online self assessment tool The Authority will Introduce named Information Asset Owners (IAOs) with primary responsibility for ensuring record management policies are implemented and adhered to. Business data and records will be cleansed and migrated from heritage systems into HUB where indexed metadata will be used to create and maintain an information asset register.
Project Management	Substantial Assurance	A review of processes to ensure all projects	30/01/15	**Strengths** Overall arrangements were	

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed & Follow-Up
		managed effectively including development of a business case, risk management, monitoring reporting and review.		good. The Authority has a standard project management toolkit with accompanying guidance notes. These cover the majority of expected areas, and are available to all staff on the intranet. **Weaknesses** The Toolkit is based on a document provided externally and has not been amended to include specific authority related guidance. The use of the standard project management documents is not mandatory.	The toolkit will be rebranded to reflect PDNPA specific requirements. A project register will be established for use across Authority. A threshold will be defined for those projects subject to inclusion in the project register and requiring mandatory project management documentation.

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.