



# Main Accounting

## Peak District National Park Authority

### Internal Audit Report 2021/22

Business Unit: Finance  
Responsible Officer: Head of Finance  
Service Manager: Senior Finance officer  
Date Issued: 12 January 2022  
Status: Final  
Reference: 69125/006

	P1	P2	P3
Actions	0	0	0
Overall Audit Opinion	Substantial Assurance		

## Summary and Overall Conclusions

### Introduction

The Peak District National Park Authority (PDNPA) use Exchequer as their main accounting system. Exchequer is a record of the general ledger and records all the financial activity of the PDNPA. It is used to prepare the annual accounts and various financial returns required by the Government.

Weekly bank reconciliations, accurate use of journals and appropriate use of suspense accounts are an important part of the financial internal control framework.

Details of fixed assets are maintained and accounted for, in accordance with established accountancy practice guidelines, to arrive at an accurate representation of the year-end position in the Authority's published accounts. The 2020/21 annual accounts are currently in draft stage and are expected to be finalised and approved by Members in November 2021.

### Objectives and Scope of the Audit

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

- Bank reconciliations are performed on a regular basis and authorised appropriately
- Suspense accounts are maintained accurately and cleared on a regular basis
- Journals are accurately recorded and are authorised correctly
- Accurate working papers are maintained and reviewed regularly to monitor capital expenditure

### Key Findings

At PNDPA, the main control in relation to bank reconciliations is focused on the weekly bank reconciliations. Once these weekly bank reconciliations are carried out, each month they are compiled into a monthly sheet which is sent to the Head of Finance for authorisation. The bank reconciliations for June and August 2021 were reviewed and we found they had been fully reconciled in both instances. However it was noted that the June reconciliation sheet did not record the Head of Finance's electronic signature, although it has been received and authorised via email. It would be beneficial if authorisation was recorded consistently on the monthly sheet.

Suspense accounts are reviewed on an ad hoc basis during the year and cleared down at the year-end due to the small number of transactions which go through the accounts. At the time of the audit there was a current year balance of £1,353 in suspense. £1,270 of which related to a single transaction (an overpayment which had not been reclaimed). We reviewed evidence of the suspense accounts being cleared at the year-end and no concerns were raised.

A review of journals processed so far in the 2021/22 financial year was undertaken. It was found that all 7 members of finance staff have access to input a journal, there are no restrictions on codes users have access to, and there is no review of journals (nominal transfers). Through discussion with officers it was determined that miscodes would be identified as part of the monthly budget monitoring process, and that incorrect cost centre and department combinations would be identified from the weekly system report which is run.

We found journals had been processed appropriately and there were no concerns with the sample of journals reviewed as part of this audit. Our data analytics software, IDEA, was used to analyse journal entries and analysis confirmed that there were no duplicate journals. IDEA was also used to conduct a gap analysis and this identified 38 gaps of 111 journal numbers in the sequence. However 85 of these gaps related to journal adjustments for the prior financial year so were not included in the transaction report used to conduct the analysis. A further 19 of the missing references related to stock journals which were not appearing on the transaction report but were in the Exchequer system. The remaining 7 journal references could not be located in Exchequer by the Senior Finance Officer, however there is a known system error in Exchequer relating to the fast posting of journals, and the missing journal references relate to the date this error was identified.

Our analysis of journals highlighted 68 journals that did not initially appear to balance to zero. Further analysis identified that the VAT posting does not appear on the transaction report produced by the system, creating the appearance of an imbalance though all journals reviewed were balanced appropriately.

Virement procedure notes exist as part of the financial procedure rules and different authorisation is required depending on the value of the virement. We found that virements are not carried out frequently at the Authority and both virements processed in the current financial year had been appropriately authorised.

Accurate working papers are maintained and reviewed regularly to monitor capital expenditure. Capital spend is monitored throughout the year and presented to Members twice a year. The current asset management plan covers the years 2020-2024, it was approved by Members in February 2020 and is available on the Authority's website. The asset register is reviewed and updated as part of the year end closedown process. The register and the working paper for the 2020/21 year end were reviewed as part of this audit and no issues were found. However, external auditors identified some issues with assets historical data, and whilst the asset is included on the register, it is not clear when the asset was first acquired. The Head of Finance is aware of this issue and work is underway to amend the register.

The current Capital Strategy was approved in December 2015 covering the years 2015 to 2020, due to Covid and the uncertainty of funding the new strategy has been delayed. Work is underway on the revised strategy and it is due to be presented to Members at the February 2022 Authority meeting.

## **Overall Conclusions**

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

## Audit Opinions and Priorities for Actions

### Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

### Opinion

### Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

### 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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