

ANNUAL HEAD OF INTERNAL REPORT 2021/22

22 July 2022



**PEAK
DISTRICT**
NATIONAL
PARK



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BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Authority's audit charter. These require the Head of Internal Audit to bring an annual report to the National Park Authority. The report must include an opinion on the adequacy and effectiveness of the Authority's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



INTERNAL AUDIT WORK CARRIED OUT IN 2021/22

- 2 Internal audit work carried out during the year, and the opinions given, is detailed in Appendix A. All work for the year has been completed with the exception of the Information Security Check. This has not been completed this year as almost all work has been carried out remotely, and this work requires a site visit. The one day allocated for this audit has been carried forward to provide an additional day within the 2022/23 plan.
- 3 No special investigations were carried out during the year.
- 4 Appendix B summarises the key findings from internal audit reports that were presented to the Authority in February 2022 (the remaining reports are being presented to the current meeting in full). Appendix C provides an explanation of our assurance levels and priorities for management action.



PROFESSIONAL STANDARDS

- 5 In order to comply with 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 professional standards. The results of the QAIP are reported to the Audit Committee each year as part of the annual report. The QAIP consists of various elements, including:
 - maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity

- regular customer feedback
 - training plans and associated training and development activities
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the standards).
- 6 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit working practices was undertaken in November 2018. This concluded that Veritau internal audit activity generally conforms to the PSIAS¹.
- 7 The outcome of the recently completed self-assessment demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP prepared by Veritau are given in appendix D.



OPINION OF THE HEAD OF INTERNAL AUDIT

- 8 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**. No reliance was placed on the work of other assurance providers in reaching this, and there are 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.
- 9 The opinion given is based on work that has been undertaken directly by internal audit, and on cumulative knowledge gained through our ongoing liaison and planning with officers. However, in giving the opinion, we would note that the Covid-19 pandemic has continued to affect the authority over the last year, with a consequential impact on business operations and controls. The work of internal audit has been directed to the areas considered most at risk, or that offer the most value for the authority overall. However, not all the areas affected by the Covid-19 pandemic will have been reviewed.

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

APPENDIX A: 2021/22 INTERNAL AUDIT WORK

Audit	Status	Assurance Level
Business Continuity	Completed	Substantial Assurance
Income and Debtors	Completed	Substantial Assurance
IT Access Controls and User Awareness	Completed	Substantial Assurance
Main Accounting	Completed	Substantial Assurance
Risk Management	Completed	Reasonable Assurance
Visitors Centres	Completed	Substantial Assurance
Information Security	Cancelled	N/A

APPENDIX B: SUMMARY OF KEY ISSUES FROM AUDITS REPORTED TO THIS COMMITTEE IN FEBRUARY 2022

System/area	Opinion	Area reviewed	Reported to Authority	Comments	Management actions agreed
Access Controls and User Awareness	Substantial Assurance	The audit reviewed cyber security awareness and guidance provided to staff and access controls for third party applications	February 2022	<p>Strengths</p> <p>The Authority has appropriate access controls in place for its third party applications and access to these applications was appropriately authorised and monitored. There are clear processes for adding and removing users from third party applications. The Web Manager carries out regular reviews on the management of applications which checks that monitoring is taking place.</p> <p>The Authority carried out a phishing email training exercise whereby staff were sent fabricated phishing emails and staff responses to receiving the emails were monitored. Staff that clicked on fake phishing emails were then directed towards training.</p> <p>The quarterly Corporate Authority Performance Report includes KPIs for data security and there is also an Information Management Service risk register</p>	N/A

System/area	Opinion	Area reviewed	Reported to Authority	Comments	Management actions agreed
				<p>Weaknesses</p> <p>No areas for improvement were identified.</p>	
Main Accounting	Substantial Assurance	The audit reviewed the processes and controls in place to manage and complete bank reconciliations, suspense accounts, journals, and capital expenditure working papers	February 2022	<p>Strengths</p> <p>Weekly bank reconciliations are carried out and are then compiled into a monthly sheet which is authorised by the Head of Finance.</p> <p>Suspense account values are low and items are cleared appropriately. Data analysis of journals identified no issues.</p> <p>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.</p> <p>Weaknesses</p> <p>No areas for improvement were identified.</p>	N/A
Risk Management	Reasonable Assurance	The audit reviewed the risk management processes in place and the governance of risk management	February 2022	<p>Strengths</p> <p>The Authority has an up to date Risk Management Policy in place. The risk management process has been recently updated and both Corporate and Service level risk registers are updated in full. Service risk registers were also found to have been reviewed and updated</p>	<p>Recording of actions and timescales for implementation will be improved. Timescales will be time specific and not as "ongoing".</p> <p>We will ensure that assessment of likelihood</p>

System/area	Opinion	Area reviewed	Reported to Authority	Comments	Management actions agreed
				<p>appropriately. Regular meetings are held to review identified risks at service level and determine if significant risks should be included on the Corporate register.</p> <p>Each risk on both the Corporate and Service register has a 'quarterly update' to provide a summary of the risk's current position and these have been updated consistently.</p> <p>Weaknesses</p> <p>Some actions are not routinely monitored and updated.</p> <p>Some service risk registers do not identify likelihood and impact scores.</p> <p>Currently risk are scored via a 3x3 matrix and only include inherent and current risk scores and do not include a target score.</p>	<p>and impact are clearly recorded on both the corporate and service risk registers.</p> <p>Scoring mechanisms will be reviewed.</p>

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 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
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.

APPENDIX D: INTERNAL AUDIT - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular performance appraisals
- ▲ regular 1:2:1 meetings to monitor progress with audit engagements
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented using the company's automated working paper system (Sword Audit Manager)
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ performance against agreed quality targets monitored and reported to each client on a regular basis
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit work are subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant

Director. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of ongoing performance management arrangements, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan, internal audit strategy action plan, and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board² as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

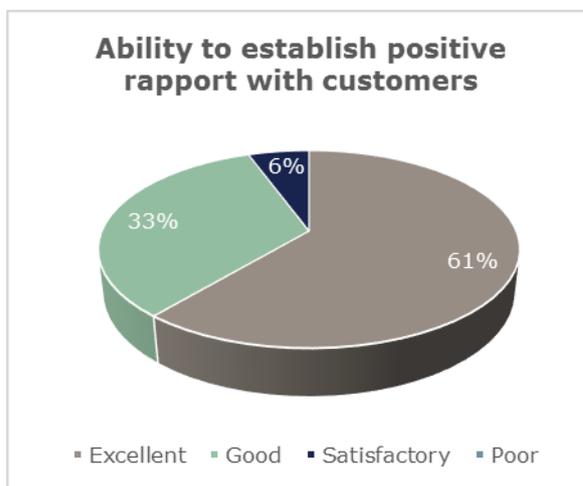
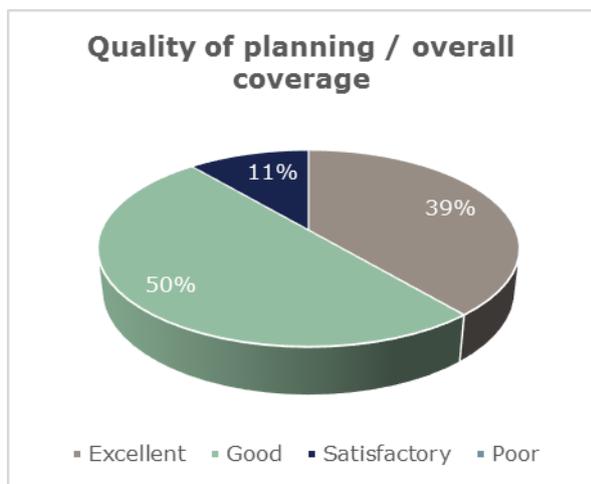
2.0 Customer Satisfaction Survey 2022

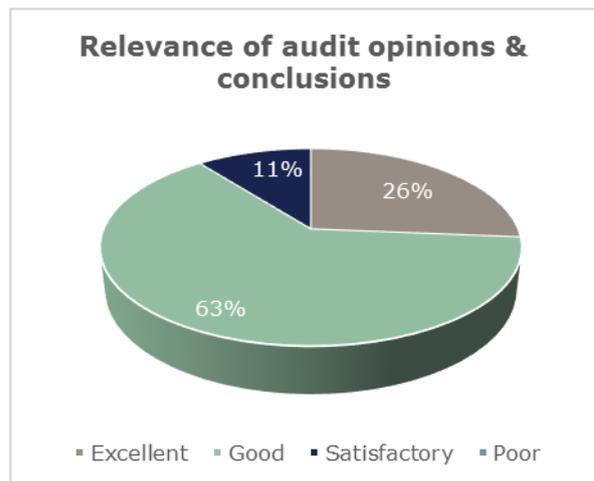
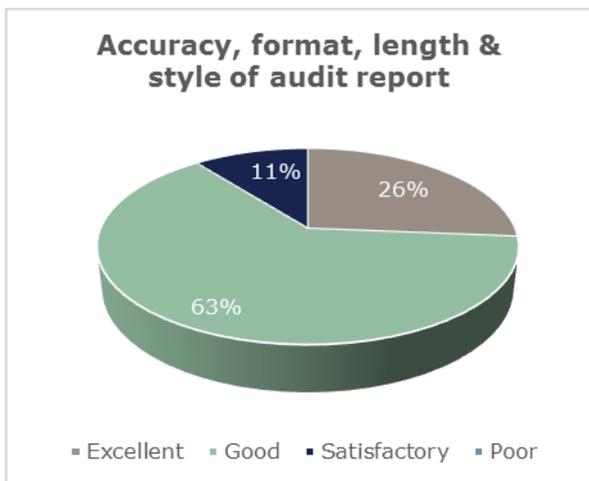
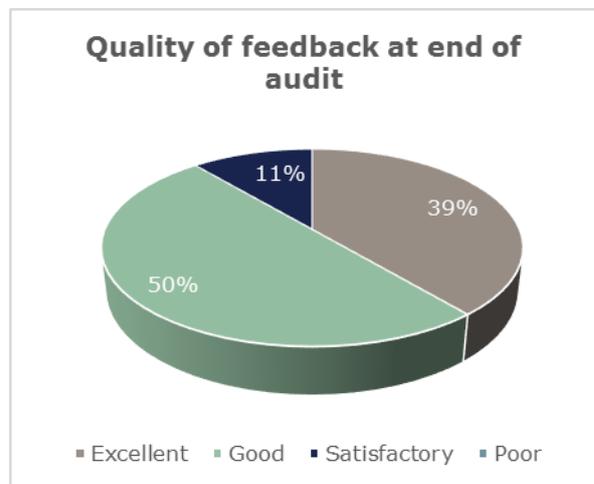
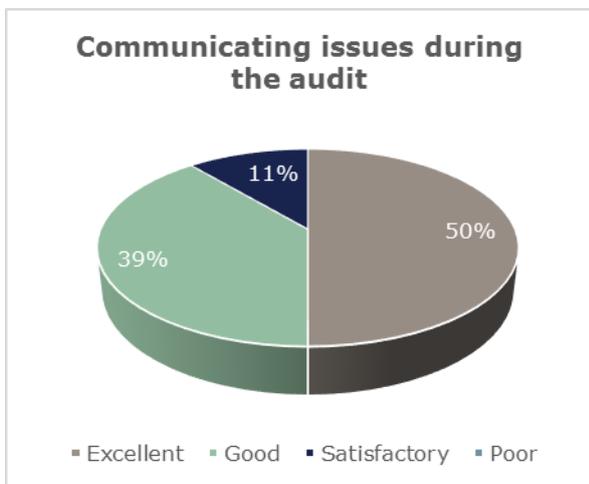
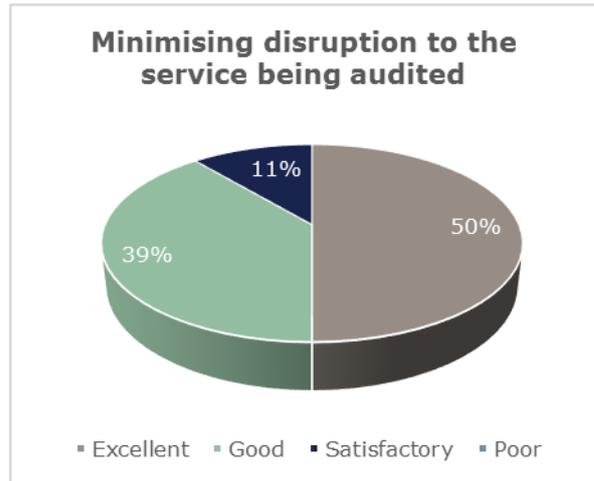
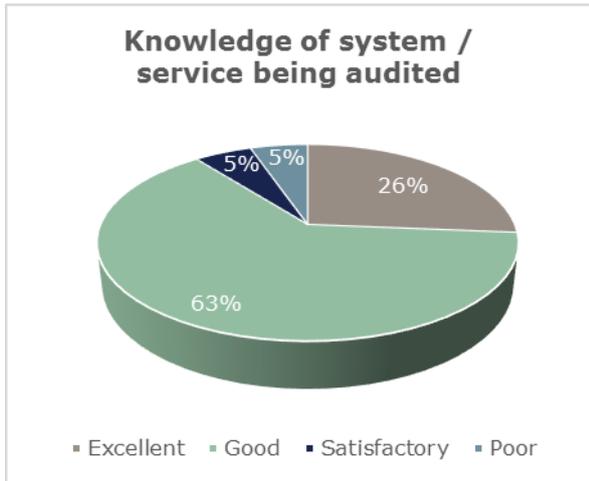
In March 2022 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of

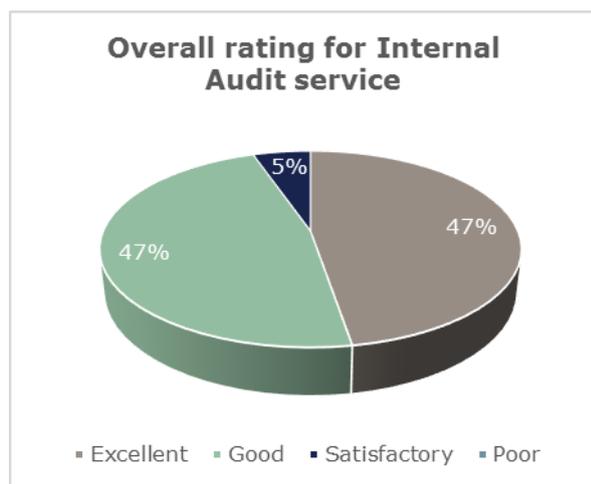
² As defined by the relevant audit charter.

154 surveys (2021 – 165) were issued to senior managers in client organisations. A total of 19 responses were received representing a response rate of 12% (2021 – 12%). The surveys were sent using Smart Survey (an online survey tool) and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 5%).







The overall ratings in 2022 were:

	2022		2021	
	Count	Percentage	Count	Percentage
Excellent	9	47%	11	58%
Good	9	47%	6	32%
Satisfactory	1	5%	0	0%
Poor	0	0%	2	11%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist 2022

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 and has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards. A comprehensive update of the checklist was undertaken in 2020, following revisions by CIPFA.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant. Existing arrangements are considered appropriate for the circumstances and require no further action.

The following table shows areas of non-compliance. These remain largely unchanged from last year, although one area has been removed from the table. This related to whether risk based plans set out the respective priority of audit work. New flexible planning arrangements introduced mean that working practices now comply with the standards in this area.

Conformance with Standard	Current Position
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was last undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report is available on request.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS³ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014.

5.0 Improvement Action Plan

Overall, internal audit services provided by Veritau continue to meet the requirements of the Public Sector Internal Audit Standards. However, we recognise that the pace of change in local government and the wider public sector mean that we need to update aspects of the service to ensure it stays up to date and continues to deliver good value.

Between autumn 2020 and autumn 2021, Veritau undertook a fundamental review of internal audit practices. This resulted in the development of a new three year strategy which details how we will improve the internal audit service for our clients. The strategy sets out the actions we will be taking within Veritau to modernise our practices, from 2021 to 2024. The five key areas we are focussing on are:

- ▲ increasing engagement across all clients; to improve communication and ensure we understand what represents good value and where internal audit work should be focussed
- ▲ further development of strategic planning frameworks; focussing on further development of assurance mapping arrangements and other activities that help us ensure we provide assurance in the right areas at the right time
- ▲ redesign and modernisation of audit processes; to ensure we can respond quickly as priorities change, reduce time to deliver findings and manage resources efficiently
- ▲ increasing investment in high value data analytics work; shifting the focus of work towards a data driven model that provides wider assurance in real time
- ▲ introducing better measures of outcomes from audit work, to enable us to direct resources to areas of most value to our clients.

Strategy focus area 2 includes further development of assurance mapping arrangements. This is an outstanding issue from previous improvement plans. We are currently undertaking a pilot assurance mapping exercise in partnership with officers at one of our key clients. The lessons learnt from this will be used to further develop processes to be rolled out as part of our core internal audit service. Completion of actions in this area will further reduce the areas of non-conformance with the standards (section 3 above).

In the 2020/21 QAIP we reported on the findings from the last Quality Assurance Group review, focussed on the follow up of agreed actions. The findings have been finalised and a programme of work is underway to improve these processes. This includes updates to processes (including integration with client risk management systems where appropriate), a full review of all outstanding

³ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

actions across all clients, and further training for all auditors. This work will be completed in 2022/23.

A further review by the group in 2021/22 focussed on the consistency of opinions given for individual audit assignments. This follows the adoption of a revised four level opinion framework introduced in 2020/21, in accordance with recommendations from Cipfa. It was found that in almost all cases the opinions given on completed work was consistent with the guidance contained in the Veritau audit manual, and supported by the number and priority of actions. Auditors continue to use the guidance and professional judgement when forming conclusions on individual pieces of work. We will feedback and discuss the wider findings as part of auditor training in 2022/23.

6.0 Overall Conformance with PSIAS ***(Opinion of the Head of Internal Audit)***

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.