

8 INTERNAL AUDIT REPORT BLOCK 1, 2015/16 (A1362/7/PN)

Purpose of the report and key issues

1. This report presents to Members the internal auditors' recommendations for the first block of the 2015/16 audit and the agreed actions for consideration. The Internal Auditors will be available at the meeting to answer any questions relating to the audit report or process as usual.

Key issues include:

- The auditors give an opinion based on five grades of assurance (High / Substantial / Reasonable / Limited / No) Of the four areas audited Asset Management has been given a High level of assurance; Payroll and Fraud Awareness / Whistle blowing a Substantial level, and PCIDSS (Payment Card Industry Data Security Standard) a reasonable level. A follow up audit of Visitor Centre Security was also carried out.
- The priority of agreed actions is determined based on a scale of 1 – 3, with 1 representing a fundamental system weakness which needs urgent attention, 2 a significant weakness which needs attention, and 3 no significant weakness but merits attention. Managers have responded to 4 Priority 3 actions and 5 Priority 2 actions (including the PCIDSS report).
- The PCIDSS and the Visitor Centre Security report are reported under Part B as they contain information about the Authority's security procedures some of which exist for the prevention of crime and disclosure of their nature could prejudice their effectiveness.

2. Recommendations

1. **That the internal audit reports for three of the four areas covered under Block 1 for 2015/16 be received (in Appendices 1 – 3) and the agreed actions considered.**
2. **That the amendments to the Fraud Awareness and Whistleblowing Policy recommended in the Appendix 3 audit report be approved.**

How does this contribute to our policies and legal obligations?

3. As identified in the Annual Governance Statement, the Internal Audit process is regarded as an important part of the overall internal controls operated by the Authority and recommendations are addressed by the Authority's managers in the management response to the audit report.

Background

4. The Accounts and Audit Regulations 2011 require that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with proper practices in relation to internal control. The contract for the internal audit service is let to Veritau Ltd. The Internal Audit Plan for 2015/16 was approved by this committee in July 2015.

Proposals

5. Managers have carefully considered the internal auditors' recommendations and the agreed actions are set out in the audit reports in Appendices 1 - 3 for members' consideration.

Are there any corporate implications members should be concerned about?

Financial:

6. There are resource implications of implementing recommendations and this is why prioritisation of action is important as this has to be managed within existing budgets and staffing levels, taking account of the level of risk agreed by management. The cost of the Internal Audit Service Level Agreement is found from within the overall Finance budget.

Risk Management:

7. The Internal Audit process is regarded as an important part of the overall internal controls operated by the Authority.

Sustainability:

8. There are no implications to identify.
9. **Background papers** (not previously published) – None

Appendices -

Appendix 1: Asset Management
Appendix 2: Payroll
Appendix 3: Fraud Awareness / Whistleblowing

Report Author, Job Title and Publication Date

Philip Naylor, Head of Finance, 29 October 2015