

National Park Authority

Audit Committee Meeting

Agenda Item 14



Draft Governance Statement

Paper for approval

1. Purpose

- 1.1 Included in this paper is the proposed draft Governance Statement on internal control which is a required document as part of the Annual Accounts statements.
- 1.2 Much of the document is prescribed by the Scottish Public Finance Manual and organisations are required to outline how they have addressed the requirements.
- 1.3 Members are asked to note that the final wording may change slightly as part of the accounts finalisation process.

2. Recommendation

- 2.1 Members are requested to confirm the appropriateness of assertions made in the draft Governance Statement on internal control prior to its inclusion in the draft accounts for 2015/16 and subsequent signature by the Chief Executive.

3. Changes from 2014/15 Governance Statement

- 3.1 The following sections have changed as compared with the 2014/15 Governance Statement:

4.3	Numbers of Board and Committee meetings updated
4.6	Internal audit service provision updated (TBC following Audit Committee)
4.7	Areas of internal audit review updated
4.12	Update to high risks e.g. removal of high risk of change of CEO

4. Introduction

GOVERNANCE STATEMENT

For the period ended 31 March 2016

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Governance Framework

- 4.1 As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Loch Lomond & The Trossachs National Park Authority's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in the Management Statement for Loch Lomond & The Trossachs National Park Authority. In discharging this responsibility I am held accountable by the Authority's Board, and by Scottish Ministers. In particular, the Authority's Board has Committees in place to manage strategy, delivery and for Audit, each of which has remits to ensure elements of the Authority's financial management and internal control systems, including risk management systems, are in place and function effectively.
- 4.2 The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

The Operation of the Board and Sub Committees

- 4.3 The Board and Committees met on the following basis during the year:
- The full Board held six formal meetings which were open to the public. These meetings were supplemented by a number of business sessions to deliver training to Board members and to discuss matters of policy and organisational development.
 - The Delivery Group met four times to conduct a detailed review of performance against Operational and Corporate Plan targets and to review the budget for the following year.
 - The Audit Committee met four times to review the work of internal and external auditors.
 - The Strategy Group met five times to review the strategy of the organisation. .
- 4.4 Full papers are issued to these meetings in advance to allow the members to fully consider the matters for discussion.

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- 4.5 Recommendations from independent internal and external auditors form a key and essential element in informing my review of the effectiveness of the systems of internal control within the Authority. The Board's Audit Committee also plays a vital role in this regard, through its review of audit recommendations arising from reviews of internal control systems and its consideration of proposed management action. In particular, the Audit Committee is tasked with monitoring the operation of the internal control function and bringing any material matters to the attention of the full Board. Detailed findings of all audit reviews are made available to both management and the Audit Committee. The Audit Committee reports quarterly to the Board on the adequacy and effectiveness of the Authority's internal controls.
- 4.6 The internal audit function is an integral element of the Authority's internal control systems. KPMG LLP was appointed as the Authority's internal auditors in 2011 and has undertaken a comprehensive review of key internal control systems since their appointment. The initial three year contract for internal audit services with KPMG came to an end in 2014 and was then extended for a further year to 2015. Following a review by the Audit Committee, the contract was extended for one final year to 2016, and no further options to extend the contract are available. The Authority is planning to enter into partnership working with West Dunbartonshire Council for the provision of Internal Audit Services, which will be supported as needed by joint procurement carried out by Scottish Natural Heritage *[subject to Audit Committee approval on 31 March 2016]*.
- 4.7 Over the course of the year to 31 March 2016, the internal auditors have reported to the Audit Committee on their independent reviews of workforce management and appraisals, complaints handling, controls risk self assessment, cash generating income streams, governance and board member engagement, project management follow-up and records management follow up.
- 4.8 In addition, the external auditors have reviewed key systems including a positive review of the Internal Auditors' documentation, standards and reporting procedures, to form a view on the effectiveness of control arrangements and support their audit opinion on the financial statements. Recommendations made as part of this process have been taken on board and actions taken where appropriate.

Risk Management

- 4.9 All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with the relevant guidance issued by Scottish Ministers.

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The general principles for a successful risk management strategy are set out in the SPFM.

- 4.10 The Board recognises the importance of risk management in the activities of the organisation. Through adoption of risk-based monitoring reports for delivery of Corporate and Operational Plan objectives, National Park Plan delivery, and for wider assessment of organisational performance, the Board has provided leadership on the importance of risk management at the highest level within the organisation.
- 4.11 The Board's Audit Committee and Executive Team are involved in leading on embedding risk management processes throughout the organisation. Both these groups consider the management of strategic risk and seek to ensure that the required actions to manage risk at a strategic level are appropriately reflected and incorporated in operational delivery plans. The Authority's strategic risk management process is based on a schedule of key risks and risk management strategy. The strategy and schedule of key strategic risks was maintained and subject to review by the Executive Team and an audit trail was maintained through recording of actions taken.
- 4.12 The Executive review the Risk Register on a quarterly basis, with a report being submitted annually to the Audit Committee. In the event of any risk being increased to a "high" status, this is escalated to the Committee at the earliest opportunity.
- 4.13 The Authority has also adopted a risk based approach to the management and monitoring of its Operational and Corporate Plan delivery, and key aspects of organisational performance, whereby any increased risk to achievement of targets is assessed, reported to the Executive Team, and, where required, remedial action determined and implemented. Risk management is also a core element of project appraisal and approval processes.

Data Security

- 4.14 Steps are being taken to ensure that information is being managed in accordance with legislation.
- The Authority's policy is to maintain the highest level possible of data security in its operations. During the year the Authority maintained its systems including:
- Maintenance of Cisco ASA 5500 Adaptive Security appliance (Firewall)
 - Off site data back up by Commvault

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- Password protected laptops and desktop computers
- Designated remote access routes through Cisco VPN

5. Conclusion

5.1 As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- the Executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, feedback from whom is obtained through regular meetings of the Executive and Managers teams;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which includes independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letter and other reports.

5.2 I have been advised on the implications of the result of my review by both the Board and its Audit Committee and a plan is in place to address weaknesses and ensure continuous improvement of the systems.

5.3 The internal auditors review concluded that the assurance framework in place is founded on a systematic risk management process and does provide overall assurance to the Board and that the assurance framework reflects the organisation's key objectives and risks.

5.4 The internal auditor's annual report for 2015-16 states that based on the work undertaken over the course of the year, significant assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

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