Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority

Internal audit report 2016.6

Financial controls risk self assessment

8 March 2016

Contents

This report is for:

Action

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Information

Audit Committee

Notice: About this report

This Report has been prepared on the basis set out in our Engagement Letter addressed to Loch Lomond & The Trossachs National Park Authority and Cairngorms National Park Authority ("the Clients") dated 15 June 2011 and extended as of the letter dated 28 August 2014 (the "Services Contracts") and should be read in conjunction with the Services Contract. Nothing in this report constitutes a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the Services Contract. This Report is for the benefit of the Clients only. This Report has not been designed to be of benefit to anyone except the Clients. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from the Clients, even though we may have been aware that others might read this Report. We have prepared this report for the benefit of the Clients alone. This Report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Clients) for any purpose or in any context. Any party other than the Clients that obtains access to this Report or a copy (under the Freedom of Information (Scotland) Act 2002, through the Clients' Publication Scheme or otherwise) and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Clients. In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of the Clients alone, this Report has not been prepared for the benefit of any other central government body nor for any other person or organisation who might have an interest in the matters discussed in this Report, including for example those who work in the central government sector or those who provide goods or services to those who operate in the sector.

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Introduction

In accordance with the 2015-16 internal audit plan of the Cairngorms National Park Authority ("CNPA") and Loch Lomond & Trossachs National Park Authority ("LLTNPA"), as approved by the audit committee, we have performed a financial controls risk self-assessment internal audit.

The overall objective of this review was to provide assurance over key systems through reviewing the appropriateness of the design of the controls, as well as how efficiently and effectively these controls operate.

Background

The control risk self-assessment ("CRSA") allows organisations to assess the design and effectiveness of controls over risks associated with key processes. The assessment is presented in the form of a questionnaire and is completed by 'process owners' who score each control to confirm whether it is operating. The information is then used by management to make an assessment, at a high level, of the internal control environment, based on the responses to the CRSA questionnaire and by taking into account remedial work that is underway to improve controls. Completion of the CRSA was performed by both Daniel Ralph (CNPA) and Catriona Morton (LLTNPA).

The overall objective of this audit is to provide assurance over key financial systems through reviewing the appropriateness of the design of controls as well as how efficiently and effectively these controls operate. We covered all relevant areas covered by the control environment and performed focused testing in order to corroborate managements conclusion in the CRSA. This resulted in findings in four key areas.

Controls were scored on the following basis:

Score	Description
n/a	Control is not applicable
0	Control is not performed
1	Control is rarely performed
2	Control is performed often
3	Control is performed all the time

We reviewed the design and implementation of each control i.e. whether the control was designed appropriately to manage stated risks and tested, on a sample basis, the operating effectiveness of controls i.e. whether the control was operating in line with procedures.

Moderated self-assessment scores - LLNTPA

We tested, on a sample basis, the responses provided in the questionnaire. Our testing considered:

- the design and implementation of each control i.e. whether the control was designed appropriately to manage stated risks;

- the operating effectiveness of each control i.e. whether the control was operating in line with procedures; and

- whether there are any opportunities for increased efficiency through re-designing, or where appropriate, eliminating steps within the financial process.

Key processes	Number of assessment questions	Number of applicable questions	Possible score 2015-16	Management score 2015-16	Moderated score 2015-16	Percentage 2015-16
Income and debtors	15	15	45	44	44	98%
Treasury and cash management	15	10	30	30	30	100%
Fixed assets	10	10	30	28	28	93%
Payroll and expenses	12	12	36	35	35	97%
Purchase to Pay	10	10	30	29	29	97%
Financial ledger	13	12	36	36	36	100%
Accounting for VAT	4	4	12	10	11	83%
Project accounting	5	4	12	12	12	100%
Research and development	N/A	N/A	N/A	N/A	N/A	N/A
IT security	11	11	33	33	33	100%
Business continuity	9	8	24	19	19	79%
Policies and governance	27	26	78	73	74	94%
Total	**131**	**122**	**366**	**349**	**351**	**95%**

The KPMG moderated score noted some differences with the score from management. In two instances KPMG assessed performance as being higher than that recorded by management.

A full list of the scores as assessed by the Authority and KPMG is included in appendix one.

We tested, on a sample basis, the responses provided in the questionnaire. Our testing considered:

- **the design and implementation of each control i.e. whether the control was designed appropriately to manage stated risks;**

- **the operating effectiveness of each control i.e. whether the control was operating in line with procedures; and**

- **whether there are any opportunities for increased efficiency through re-designing, or where appropriate, eliminating steps within the financial process.**

Key processes	Number of assessment questions	Number of applicable questions	Possible score 2015-16	Management score 2015-16	Moderated score 2015-16	Percentage 2015-16
Income and debtors	15	13	39	34	36	92%
Treasury and cash management	15	11	33	26	28	85%
Fixed assets	10	10	30	27	27	90%
Payroll and expenses	12	12	36	36	36	100%
Purchase to Pay	10	10	30	30	30	100%
Financial ledger	13	13	39	35	35	90%
Accounting for VAT	N/A	N/A	N/A	N/A	N/A	N/A
Project accounting	5	5	15	15	15	100%
Research and development	14	5	15	15	15	100%
IT security	12	12	36	32	33	92%
Business continuity	9	8	24	24	24	100%
Policies and governance	27	27	81	79	79	98%
Total	**142**	**126**	**378**	**353**	**358**	**93%**

The KPMG moderated score noted some differences with the score from management.

A full list of the scores as assessed by the Authority and KPMG is included in appendix one.

Due to the nature of CNPA and LLTNPA the most relevant comparison of each Authority is each another.

Key processes	LLTNPA Moderated Percentages 2015-16	CNPA Moderated Results Percentages 2015-16
Income and debtors	98%	92%
Treasury and cash management	100%	85%
Fixed assets	93%	90%
Payroll and expenses	97%	100%
Purchase to Pay	97%	100%
Financial ledger	100%	90%
Accounting for VAT	83%	N/A
Project accounting	100%	100%
Research and development	N/A	100%
IT security	100%	92%
Business continuity	79%	100%
Policies and governance	94%	98%

A score of 90% or more indicates a good performance of controls in this area. We note three areas where the control environment is scored as less than 90% for information:

- LLTNPA accounting for VAT – The controls relevant to VAT operate at the required level for the size of the organisation and only require a slight improvement regarding the use of external sources for VAT advice.

- LLTNPA business continuity – The business continuity controls are rated at less that 90% because there has been no formal test of the Business Continuity Plan in the year. Per discussion with Catriona Morton, LLTNPA has tested small parts of the plan in the year (e.g. the communications procedure) and will continue to test different parts of the plan over the rest of the year.

- CNPA treasury and cash management – The controls relevant to treasury and cash management are scored below 90% because whilst there is an established procedure there is scope for improvement in the operation of control in place. In particular related to the authorisation of the opening of new bank accounts by the Board.

The findings identified during the course of this internal audit are summarised below. A full list of the findings and recommendations are included in this report. Management has accepted the findings and agreed reasonable actions to address the recommendations.

Authority		Critical	High	Moderate	Low
LLTNPA	Number of internal audit findings	-	-	-	2
	Number of recommendations accepted by management	-	-	-	2
CNPA	Number of internal audit findings	-	-	-	1
	Number of recommendations accepted by management	-	-	-	1

We outline the main findings from our review.

We did not identify any 'moderate', 'high' or 'critical' risk recommendations.

Two 'low' graded recommendations were identified for LLTNPA.

One 'low' graded recommendation was identified for CNPA.

Areas of good practice - LLTNPA

The review highlighted areas of good practice as demonstrated in the high scores presented. Specifically we note:

- LLTNPA uses weekly payment runs effectively to pay invoices promptly and meet the Scottish Government target of 10 day payment of invoices.

- The management accounts are prepared for the year end with relevant back up reconciliation. This reviewed by the Executive team.

Areas of good practice - CNPA

The review highlighted areas of good practice as demonstrated in the high scores presented. Specifically we note:

- Payroll controls operate effectively, following revisions to the controls from the prior internal audit review.

- Access to cash and banking facilities is restricted, with only finance personnel having access to the banking facilities and cash and cheques are held in a safe.

- CNPA uses weekly payment runs effectively to pay invoices promptly and meet the Scottish Government target of 10 day payment of invoices.

- The management accounts are prepared for the year end with relevant back up reconciliation. This reviewed by the Executive team.

Recommendations – LLTNPA

We identified two areas where improvements could be made to improve the design and implementation of controls to mitigate the identified risks:

- The need for further detail related to IT hardware within the fixed asset listing; and
- The implementation of an authorisation process related to changes of employees details

Due to the limited breakdown in the fixed asset register, specifically within the IT Hardware category, there limited low visibility of the assets that LLTNPA holds. There is a risk that there may be assets which are held onsite but not utilised by the Authority, although are still depreciated within the general IT hardware fixed asset category.

Recommendation one

Changes to employees details to change their place of residence or their bank details follows the same process. If an email is sent to HR from the a recognised LLTNPA email address the details are changed on the system. There is no control to mitigate the risk that the email could be sent by someone external to the Authority. There is the risk that the bank details for an employee could be changed without the knowledge or consent of the employee.

Recommendation two

Recommendations – CNPA

We identified one area where improvement could be made to improve the design and implementation of controls to mitigate the identified risk:

- The sales ledger to general ledger reconciliation.

The sales to general ledger reconciliations are not performed via the SAGE module. Invoices are input manually into a tracking spreadsheet and reviewed each time a new trial balance is created. The reconciliation is performed manually and is subject to the risk of human error.

Recommendation one

We also noted that CNPA do not routinely review journals. We recognise that due to the scale of CNPA the scope for implementing additional segregation of duties is limited and compensating controls have been put in place to mitigate this risk including:

- Monthly review of nominal codes by Heads of Service; and
- Review by the Finance Manager for miscoding.

Based on the complexity of transaction and scale of the team we consider this appropriate. Based on the sample of journals we have reviewed no journals were incorrectly posted.

The action plan summarises specific recommendations, together with related risks and management's responses.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1. Fixed asset breakdown		**Low**
In the fixed asset listing, the IT hardware section is a single line and does not split out the components. This leads to two risks: ■ policy may not be appropriate as assets are depreciated after they have been disposed of; and ■ there may be assets which have been fully depreciated which are still in use.	As part of the planned review of the Fixed Asset Policy management should consider: ■ The useful lives of assets to ensure they are depreciated over an appropriate period; ■ Appropriate componentisation of assets to allow them to be recognised and derecognised appropriately; and ■ Verification of individual/groups of assets.	Agreed **Responsible officer:** Financial Performance Manager **Implementation date:** February 2017
2. Employee details authorisation		**Low**
The process to change employees' details allows the change to be made following an email to HR from the email account of the employee. This opens the risk that someone could send a fraudulent email and change bank account details.	When any changes are made to employee details, a call back policy should be put in place. The person changing the details should speak to the relevant person before changing the details. This should be using previous contact details for the employee rather than any details received in the correspondence.	Agreed **Responsible officer:** Payroll Adviser **Implementation date:** 29 February 2016

Action plan CNPA

The action plan summarises specific recommendations, together with related risks and management's responses.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1. Sales to general ledger reconciliation		**Low**
The sales ledger to general ledger reconciliation is performed by the Finance Manager via a tracking spreadsheet. There is no copy of the completed reconciliation retained to prevent further amendments to demonstrate the appropriate completion of the reconciliation.	Whilst this is partly compensated by the review of management accounts alongside the reconciliation, a control to mitigate the risk at the source would be more prudent, including taking copies of the tracking spreadsheet in a non editable soft copy format to demonstrate consideration of any reconciling items.	An update to the accounting system is being planned and the updated debtors module will be implemented. This will replace the current spreadsheet tracker. With immediate effect a non-editable copy of the tracking spreadsheet reconciliation will be made and filed. **Responsible officer:** Finance Manager **Implementation date:** September 2016

Appendices

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Income and debtors	1.1	Do you have clearly documented, up-to-date delegated authorities for the following activities: - Authorising issue of invoices - Authorising issue of credit notes - Authorising write-off of balances from the sales ledger - Authorising repayments where customers have overpaid - Authorising debt provisions	3	3	3	3
	1.2	Have you considered revenue recognition and is this accurately reflected in financial statements?	3	3	3	3
	1.3	Are invoices reviewed to check the accuracy of the invoice and ensure the invoice reflects work completed before sending the invoice to the customer?	3	3	3	3
	1.4	Are there procedures to ensure fees/sales are recorded in the correct period and cut-off is correct?	3	3	3	3
	1.5	Are all invoices sequentially numbered to help identify duplicate invoices?	3	3	3	3
	1.6	Are customer details only amended based on written instructions from the customer?	3	3	1	2
	1.7	Do you perform client credit worthiness, payment history and reference checks prior to taking on a customer?	2	2	N/A	N/A

Notes:
1.6 – CNPA does not update/amend the client details on a regular basis but the staff in charge of the invoice is responsible for checking that the details are correct.

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Income and debtors	1.8	Is responsibility for maintenance of the customer master file or customer details segregated from the roles of recording and processing of transactions? If not segregated, are appropriate compensating controls in place? Please provide details of the compensating controls in the "Comments" column.	3	3	3	3
	1.9	Is there appropriate segregation of duties between the recording and authorising of transactions, and between the receiving of cash or cheques and the posting to ledgers? If not segregated, are appropriate compensating controls in place, for example review and validation of changes or review of financial statements by the director of finance? Please provide details of the compensating controls in the "Comments" column.	3	3	3	3
	1.10	Are there established procedures for chasing debt which are understood by all relevant staff?	3	3	3	3
	1.11	Are debtors listings produced each period and reviewed for aged debtors and credit balances? Is the balance per the debtors listing agreed to the sales ledger?	3	3	3	3
	1.12	Is there evidence or documentation to show the chasing, follow up and actions taken for aged debtors and credit balances?	3	3	2	2
	1.13	Are debtor statements and follow-up letters issued and/or recovery agents hired to obtain payment from customers with significantly aged debt?	3	3	1	2
	1.14	Are unallocated cash receipts reviewed each period and appropriate actions taken to resolve and correctly allocate the items?	3	3	3	3
	1.15	Are bad and doubtful debt provisions reviewed and updated at least each period?	3	3	N/A	N/A

Notes:

1.13 – While there is no documented procedure to chase the debtors in CNPA. In practice, letters are sent out to chase the debt and then phone calls are made to pursue the matter further if required.

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Treasury and cash management	2.1	Do you have documented and up-to-date delegated authorities for the following activities: - raising and approving investments - Closure of bank accounts - Setting up or changing bank mandates - Approval of mandate wording for new mandates - Individual signatory levels for bank accounts, cheques, transfers and payments	3	3	0	2
	2.2	Are all new bank accounts being opened referred to and approved by an appropriate Committee?	N/A	N/A	1	2
	2.3	Do you have overdraft facilities? Has the use of loan / overdraft facilities on the company bank accounts been approved by an appropriate committee?	N/A	N/A	N/A	N/A
	2.4	A list of approved organisations that the Entity can invest in is maintained and informed with reference to appropriate credit agencies?	N/A	N/A	N/A	N/A
	2.5	Are all Treasury transactions referred to and approved by an appropriate Committee?	N/A	N/A	N/A	N/A
	2.6	Are changes to current bank holder details or mandates approved prior to communicating them to the bank?	3	3	3	3
	2.7	Are all bank mandates reviewed and updated regularly?	3	3	2	3
	2.8	Are the duties for recording and posting cash/cheque receipts segregated from the banking of the cash and cheques? If not segregated, are appropriate compensating controls in place, for example independent review of the banking records, and transactions recorded in the cashbook or general ledger? Please provide details of the compensating controls in the "Comments" column.	3	3	3	3

Notes:
2.2 – All bank accounts opened are approved by the Head of Corporate Services but they are not authorised by the Board.

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Treasury and cash management	2.9	Are separate general ledger accounts maintained for each bank account?	3	3	3	3
	2.10	Are all cash and cheques received in the post recorded, totalled and banked completely on the day of receipt?	N/A	N/A	2	2
	2.11	Are all receipts and direct deposits into the bank account promptly matched to sales invoices in the sales ledger?	3	3	3	3
	2.12	All investment income/interest is agreed to investment agreement or from statements of investments?	3	3	N/A	N/A
	2.13	Are all payments from the bank account matched to approved payment lists or approved invoices?	3	3	3	3
	2.14	Are all cash and cheques held securely at all times and cheques are not pre-signed?	3	3	3	3
	2.15	Is access to any on-line or electronic banking facilitates restricted to authorised individuals? Are access rights to these systems reviewed at least every six months to ensure they are up-to-date?	3	3	3	3

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Fixed assets	3.1	Do you have up-to-date, documented delegation of authorities in place for capital expenditure, acquisitions, capital sales and asset disposals?	2	2	3	3
	3.2	Do you have arrangements in place to ensure that capital expenditure has been approved by the appropriate officer or committee?	3	3	3	3
	3.3	Are all assets tagged, or physically verified regularly to ensure existence?	2	2	2	2
	3.4	Do you have a fixed asset register which contains the following information: - Date of acquisition of assets; - Description of assets; - Location of assets; - Cost price of assets; - Useful economic life; and - Depreciation.	3	3	3	3
	3.5	Is the Fixed Asset Register updated regularly?	3	3	3	2
	3.6	Are all depreciable fixed assets depreciated over their useful economic lives?	3	3	3	3
	3.7	Are fixed assets, including leased assets, physically verified once a year and the accounting records updated for differences identified?	2	2	1	2
	3.8	Are the carrying values of all tangible, intangible and investment assets reviewed for impairment at least annually?	3	3	3	3
	3.9	Is the useful economic life of all tangible, intangible and investments reviewed at least annually?	3	3	3	3
	3.10	Do you have arrangements in place to ensure capital spend is correctly identified?	3	3	3	3

Notes:

3.7 – Neither Authority has a formal verification process.

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Payroll and expenses	4.1	Do you have documented and up-to-date delegated authorities for the following activities: - Approval for new joiners and leavers - Approval for changes to employee data - Approval of salary and bonus levels - Approval of overtime payments (where applicable) - Approval of expense claims - Approval for all payroll related payments, and sending records/payments to pension, tax and other third party authorities	3	3	3	3
	4.2	Do you monitor compliance with these authorities?	3	3	3	3
	4.3	Are there segregation of duties in place to ensure that the same person does not carry out: payroll processing; payroll payment authorisation; and changes to employee data. Do you ensure that people approving changes to employee data cannot make the changes in the systems? If not segregated, are appropriate compensating controls in place, for example independent review of exception reports relating to changes made to the standing data on the payroll system? Please provide details of the compensating controls in the "Comments" column.	3	3	3	3
	4.4	Is access to all payroll and employee records (physical and electronic) appropriately restricted and in compliance with local and/or international Data Protection requirements?	3	3	3	3
	4.5	Are changes to employee records (for example new starters/leavers or changes to existing employee's details) only made when authorised by the appropriate person and supported by appropriate documentation, such as: - Starting or exit interview assessment notes, resignation or termination letters; - Signed employment contracts; - Confirmed employee banking details; - Standard HR forms with relevant approvals.	3	3	3	3
	4.6	Are changes to payroll standing data, such as salary levels, pension payments, tax rates, only made when there is approval and support for the change?	3	3	3	3
	4.7	Are changes to data checked against supporting documentation to make sure the changes are valid and made correctly and accurately?	3	3	3	3

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Payroll and expenses	4.8	Are supporting documents and/or reports for all salary related payments (monthly payroll, bonus payments, remittances to third parties, for example pension or tax authorities) reviewed prior to making these payments? Is there evidence of this review?	3	3	3	3
	4.9	Are controls in place to ensure statutory, pension and other payroll deductions are calculated correctly, comply with local regulations and that remittance due dates are met? Please provide detail of the controls in the 'Comments' column.	3	3	3	3
	4.10	Are there documented policies for reclaiming expenses? Are these accessible to staff on the staff intranet?	3	3	3	3
	4.11	Are management and employee expenses reviewed and authorised prior to being paid/reimbursed (including corporate card expenditure)? Is there evidence of this review and authorisation?	2	2	3	3

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Purchase to Pay	5.1	Do you have clearly documented, up-to-date delegated authorities for the following activities: - Authorising requisitions - Authorising issue of purchase orders - Authorising three-way match - Authorising payments by BACS or other means	3	3	3	3
	5.2	Have you considered expenditure recognition and is this accurately reflected in financial statements?	3	3	3	3
	5.3	Are invoices reviewed to check the accuracy of the invoice and ensure the invoice reflects work completed before settling the invoice with the supplier? (i.e. invoices are authorised).	3	3	3	3
	5.4	Are there procedures to ensure expediture is recorded in the correct period and cut-off is correct?	3	3	3	3
	5.5	Supplier details are only amended based on written instructions from the supplier?	3	3	3	3
	5.6	Reference/reliability checks are carried out prior to doing business with a supplier.	2	2	3	3
	5.7	Is responsibility for maintenance of the authorised suppliers master file or supplier details segregated from the roles of recording and processing of transactions? If not segregated, are appropriate compensating controls in place? Please provide details of the compensating controls in the "Comments" column.	3	3	3	3
	5.8	Is there appropriate segregation of duties between the recording and authorising of transactions, and between the payment of invoices and the posting to ledgers? If not segregated, are appropriate compensating controls in place, for example review and validation of changes or review of financial statements by the director of finance? Please provide details of the compensating controls in the "Comments" column.	3	3	3	3
	5.9	Are there established procedures for ensuring timely payment of invoices which are understood by all relevant staff?	3	3	3	3
	5.10	Are creditor listings produced and reviewed each period? Is the balance per the creditors listing agreed to the purchase ledger?	3	3	3	3

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Financial ledger	6.1	Do you keep a management accounts file which contains key financial schedules, reconciliations and other supporting documentation prepared for the full year end accounts?	3	3	3	3
	6.2	Is a period-end closing checklist used to ensure all period-end reporting procedures are completed? Is the completed checklist reviewed by anyone?	3	3	3	3
	6.3	Are the following balance sheet accounts reconciled to their sub-ledgers, systems or supporting documentation? Are all reconciling items investigated and resolved by the next period-end? Are completed reconciliations reviewed and kept for future reference and evidence?	3	3	3	3
	6.3a	Sales ledger to general ledger sales control account(s) reconciled each month. Where the Sales Ledger automatically updates the general ledger and no reconciliation is performed, do you check the balances in the ledgers agree?	3	3	0	0
	6.3b	Purchase ledger to general ledger purchase control account(s) is reconciled each month. Where the Purchase Ledger automatically updates the general ledger and no reconciliation is performed, do you check the balances in the ledgers agree?	3	3	3	3
	6.3c	Fixed asset register to general ledger fixed assets accounts is reconciled for cost and accumulated depreciation at half year and year end. Where the Fixed Asset register automatically updates the general ledger and no reconciliation is performed, do you check the balances in the ledgers agree?	N/A	N/A	N/A	N/A
	6.3d	Payroll system and/or third party payroll data to general ledger accounts is reconciled each month for gross salaries/wages, tax, benefits, social security/national insurance, pension payments. Where the payroll system automatically updates the general ledger and no reconciliation is performed, do you check the balances in the ledgers agree?	3	3	3	3
	6.3e	Bank statements to cashbook/general ledger accounts (for each bank account held) is reconciled each month.	3	3	3	3
	6.4	Are one-off journal entries independently reviewed and approved, and supported by appropriate documentation?	3	3	3	3
	6.5	Is supporting documentation for all journals kept for future reference?	3	3	3	3

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Financial ledger	6.6	Do you check that the correct amounts have been posted to the correct accounts, for example, through a review of the balance sheet and profit and loss account?	3	3	3	3
	6.7	Are suspense accounts (including clearing accounts) cleared each period and evidence kept of corrective actions taken?	3	3	3	3
	6.8	Are all assumptions and decisions made during the forecasting/budgeting processes clearly documented?	3	3	2	3

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Accounting for VAT	7.1	Is there appropriate training for relevant staff members in relation to accounting for VAT?	3	3	N/A	N/A
	7.2	Are there formal procedures to disseminate VAT guidance from external sources to relevant staff?	1	1	N/A	N/A
	7.3	At the period-end, is there a logic check or similar prcoess taken to gain assurance that the VAT calcuation and return are correct?	3	3	N/A	N/A
	7.4	Are period-end calculations subject to review from senior finance staff and/or external VAT consultants?	3	3	N/A	N/A

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Research and development	8.1	Are there procedures designed to ensure that appropriate project costing is performed prior to submitting a grant application?	N/A	N/A	3	3
	8.2	If a project is successful, are steps taken to ensure that an appropriate budget is in place?	N/A	N/A	3	3
	8.3	Are there controls to ensure that the following are held on file: - award application; - research contract; - the award letter; - a copy of the agreed budget; and - signed approval for the project to begin.	N/A	N/A	3	3
	8.4	Where the Authority invoice the sponsor (rather than receiving profiled payments), are claim forms reviewed and signed by appropriate personnel, such as the project lead?	N/A	N/A	3	3
	8.5	Are reviews completed by appropriate finance staff to compare actual spend against budget? Where there are significant variances, are these subject to further consideration?	N/A	N/A	3	3
	8.6	Is a live claims database maintained to show when claims to sponsors should be next submitted?	N/A	N/A	0	N/A
	8.7	Is there appropriate training available for those staff responsible for ensuring research and development is correctly accounted for in the financial statements?	N/A	N/A	N/A	N/A
	8.8	If there is a separate research ledger, is this reconciled to the general ledger each month? Where the ledger automatically updates the general ledger and no reconciliation is performed, do you check the balances in the ledgers agree?	N/A	N/A	N/A	N/A

Notes:
LLTNPA does not currently have research and development contracts in place.

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Research and development	8.9	Is there a regular review of projects with significant debit balances to ensure that the spend is recoverable from sponsors?	N/A	N/A	N/A	N/A
	8.10	Is there a regular review of projects with significant credit balances to ensure that funding received will be spent and does need to be returned to the project sponsor?	N/A	N/A	N/A	N/A
	8.11	When, for whatever reason, it is necessary to write-off research projects, and is this subject to approval from appropriate management?	N/A	N/A	N/A	N/A
	8.12	At the period-end, the exchange gain/loss calculation is subject to appropriate review.	N/A	N/A	N/A	N/A
	8.13	Calculations pertaining to full economic costing are subject to senior management review.	N/A	N/A	N/A	N/A
	8.14	How does management ensure that gains / losses on projects are recognised in accordance with SSAP 9?	N/A	N/A	N/A	N/A

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Project accounting	9.1	Is there appropriate training available for those staff responsible for ensuring projects are correctly accounted for in the financial statements?	3	3	3	3
	9.2	If there is a separate projects ledger, and is this reconciled to the general ledger each month? Where the ledger automatically updates the general ledger and no reconciliation is performed, do you check the balances in the ledgers agree?	3	3	3	3
	9.3	Is there a regular review of projects with significant debit balances to ensure that the spend is recoverable from sponsors?	3	3	3	3
	9.4	Is there a regular review of projects with significant credit balances to ensure that funding received will be spent and does not need to be returned to the project sponsor?	3	3	3	3
	9.5	Calculations pertaining to full economic costing are subject to senior management review.	N/A	N/A	3	3

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
IT security	10.1	Is there an IT Security Policy and is it sufficiently detailed? - Is it up to date? - Does it take account of recognised standards, such as ISO 27001? - Does it cover: access to programmes and data; new users and leavers; internet and email use; data protection; and protection of assets?	3	3	3	3
	10.2	The policy is reviewed and updated if required on a regular basis. - When was it last reviewed and updated?	3	3	3	3
	10.3	Staff are made aware of the IT Security policy.	3	3	3	3
	10.4	There is a robust procedure for the authorisation of a new system/application user.	3	3	3	3
	10.5	Leavers are removed from the system in a timely manner.	3	3	3	3
	10.6	There is a regular process of reviewing staff access permissions to confirm they are still valid and the level is appropriate.	3	3	2	3
	10.7	The Authority has antivirus software installed on all appropriate equipment.	3	3	3	3
	10.8	A firewall is in place and is monitored.	3	3	3	3
	10.9	Does the Authority allow remote access to the corporate server/corporate systems? - If so, is this controlled appropriately, such as through Secure ID tokens issued only to appropriate individuals?	3	3	3	3
	10.10	All ICT equipment is physically secured.	3	3	2	1
	10.11	Access to the server rooms is controlled and monitored to prevent unauthorised access.	3	3	3	3
	10.12	The server room is subject to appropriate controls: - Air conditioning - Flood safeguards - Fire extinguishers/gas extraction system	3	3	3	3

Notes:

10.10 – ICT equipment such as items in the server room are secured but mobile IT equipment such as laptops are not secured by a cable.

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Business continuity	11.1	Is there a Business Continuity Plan document? - is this sufficiently detailed?	3	3	3	3
	11.2	Is there a Disaster Recovery Plan document? - is this sufficiently detailed?	3	3	3	3
	11.3	The BC/DR plans have been subject to a test in the last 12 months.	0	0	0	3
	11.4	There are departmental sub-plans to specifically cover business continuity in the most crucial areas, such as finance and payroll.	3	3	3	3
	11.5	There are nominated individuals who have responsibility for putting the plan into place if required for these areas.	3	3	3	3
	11.6	Appropriate individuals are provided with training to implement the plan/s if required?	2	3	3	3
	11.7	There is regular review of risks to business continuity.	2	3	3	3
	11.8	There is a communication policy, which sets out how staff and the media would be informed of serious incidents and advised if they are not to go to the office.	3	3	3	3
	11.9	There is appropriate back up: - Back up of IT systems in place and tested - Synchronised storage replication/data mirroring - Additional power sources, such as a back up generator	3	3	3	3

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Policies and governance	12.1	Does management assess those areas of the Park Authority that are most likely to be open to fraud?	2	2	3	3
	12.2	Are policies and procedures are in place and documented to mitigate exposure to fraud, bribery and corruption? (E.g., this could include policies, training, whistle blowing hotline, assessment of risk before entering new area, IT policies and access rights.)	3	3	3	3
	12.3	Is there a fraud prevention and detection policy (or equivalent) which has been approved by the Board? In this is fraud clearly defined, does the policy apply to all employees, Board and committee members, and is responsibility for the prevention and detection of fraud clearly set out in the policy?	3	3	2	2
	12.4	Is there an Anti Bribery policy which has been approved by the Board? Is this supported by further procedures and training?	0	0	3	3
	12.5	Is there a whistleblowing policy in place and has it been approved by the Board? Does the policy set out how staff should whistleblow (who they should report to and how, whether and in what circumstances anonymity will be preserved etc) and are incidents of whistleblowing monitored and reported to management teams and audit committee (if applicable) and/or Board?	3	3	3	3
	12.6	Is there a fraud response plan in place so that management and staff know what should be done if fraud is suspected? Areas to consider might include: * Who should any suspected fraud be reported to? * What should employees/volunteers etc do if the person to whom they would normally report is suspected by them in relation to a fraud? * In what circumstances should the police be informed? * How and by whom frauds are investigated? * The disciplinary procedures that will apply if someone is found to have committed a fraudulent act. * Recovery procedures.	3	3	3	3

Notes:
12.4 – Anti Bribery Policy for LLTNPA is in production at time of writing.

Summary results of testing (continued)

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Policies and governance	12.7	Is there an employee code of ethics which has been approved by the Board, and is it kept up-to-date? In addition: Has it been effectively communicated to employees, for example by making it accessible on the web-site? Has it been developed with appropriate input from staff and Board members? Is the purpose of the code clear? For example is it to regulate behaviour or for inspiration/guidance? Is it clear how it will be implemented and enforced, including how it will be factored into organisational policies and practices? Is there a designated individual with responsibility for monitoring it and ensuring it is updated as required?	3	3	3	3
	12.8	Is there a conflicts of interest (COI) policy and has it been approved by the Board? Does it clearly set out what is or could be considered a conflict of interest?	3	3	3	3
	12.9	Are all key employees (e.g. executive staff) and Board members required to register their interests when they join the Park Authority and update them at least annually and when circumstances change? Does the procedure cover close family and friends as well as the individual themselves?	3	3	3	3
	12.10	In relation to employees, is it clear who considers and approves any potential conflicts of interest?	3	3	3	3
	12.11	Is there a formalised procurement policy and does it adequately cover: o Goods and services? o Requirements for quotes and tenders? o Selection criteria for quotes and tenders? o Standard processes (and a standard template) to agree contract terms? o Monitoring procedures for ongoing contracts o Guidance on related legislation, such as anti-bribery, EU procurement requirements, collusion, etc. Does the policy state what purchases require Board approval?	3	3	3	3
	12.12	Are there appropriate health and safety policies which covers members of staff as well as other stakeholders?	3	3	3	3

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Policies and governance	12.13	Is there a documented health and safety policy: o covering all key activities and sites? o which has been approved by the Board? o which complies with legislative requirements?	3	3	3	3
	12.14	Is there an individual (or individuals) with responsibility for health and safety and who ensures compliance with the policy/procedures and that these are kept up to date? Have all individuals tasked with health and safety responsibilities received the appropriate training?	3	3	3	3
	12.15	Are there appropriate insurance arrangements, policies and levels of insurance in place (eg employers' liability and professional indemnity)? Are there appropriate/documented procedures in place to manage health and safety issues, such as accidents, security incidents, fire and emergency evacuation? Are the necessary resources in place (e.g. trained first aiders, fire wardens etc)?	N/A	N/A	3	3
	12.16	Is the policy and associated procedures for dealing with health and safety issues easily accessible (e.g. on the website)? Have they been communicated effectively to and are they understood by staff and, Board members (as appropriate)?	3	3	3	3
	12.17	Is there a documented equality/diversity policy in place, which adheres to the Equality Act 2010 and has it been approved by the Board?	3	3	3	3
	12.18	Is the policy easily accessible (e.g. on the website/intranet) and available in any other formats, if required? Has it been communicated effectively to staff and Board members (as appropriate)?	3	3	3	3
	12.19	Is there a designated individual in the Park Authority with responsibility for equality/diversity? If not, is there an appropriate arrangement in place for ensuring compliance with the Authority's equality/diversity policy and that it is kept up to date?	3	3	3	3
	12.20	Are you registered under the Data Protection Act?	3	3	3	3
	12.21	Do you ensure that the Data Protection policy takes account of the legislative requirements of the Data Protection Act (DPA) and have relevant staff been briefed about their data protection responsibilities?	3	3	3	3
	12.22	Does the policy set out the purposes for which personal data will be held by the Park Authority and how the information will or will not be disclosed?	3	3	3	3

Process	Control reference (per C1)	Control question	Management score LLTNPA	Moderated score LLTNPA	Management score CNPA	Moderated score CNPA
Policies and Governance	12.23	Are the procedures for dealing with any complaints under the Data Protection Act clear and communicated to relevant staff?	3	3	3	3
	12.24	Are appropriate checks in place to ensure that procedures are being followed?	3	3	2	3
	12.25	Are the eight Data Protection Principles understood by those responsible for ensuring the data is collected, handled and distributed in line with legislation?	2	3	3	3
	12.26	Does the Board ensure that there is a culture of ethical behaviour embedded throughout the Park Authority and do Board members lead by example regarding ethical behaviour ('tone at the top')?	3	3	3	3
	12.27	Is there an individual (or individuals) with responsibility for ensuring that the Park Authority is compliant with the Scottish On Board guidance?	3	3	3	3

The following framework for internal audit ratings has been developed and agreed with management for prioritising internal audit findings according to their relative significance depending on their impact to the process.

Rating	Definition	Examples of business impact	Action required
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.	■ Potential financial impact of more than £400,000. ■ Detrimental impact on operations or functions. ■ Sustained, serious loss in brand value. ■ Going concern of the organisation becomes an issue. ■ Decrease in the public's confidence in the Authority. ■ Major decline in service/product delivery, value and/or quality recognised by customers. ■ Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty. ■ Life threatening.	■ Requires immediate notification to the audit and compliance committee. ■ Requires executive management attention. ■ Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days. ■ Separately reported to chairman of the audit and compliance committee and executive summary of report.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.	■ Potential financial impact of between £200,000 to £400,000. ■ Major impact on operations or functions. ■ Serious diminution in brand value and/or market share ■ Probable decrease in the public's confidence in the Authority. ■ Significant decline in service/product delivery, value and/or quality recognised by customers. ■ Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty. ■ Extensive injuries.	■ Requires prompt management action. ■ Requires executive management attention. ■ Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months. ■ Reported in executive summary of report.

Rating	Definition	Examples of business impact	Action required
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	■ Potential financial impact of between £50,000 to £200,000. ■ Moderate impact on operations or functions. ■ Brand value and/or market share will be affected in the short-term. ■ Possible decrease in the public's confidence in the Authority. ■ Moderate decline in service/product delivery, value and/or quality recognised by customers. ■ Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty. ■ Medical treatment required.	■ Requires short-term management action. ■ Requires general management attention. ■ Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months. ■ Reported in executive summary of report.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	■ Potential financial impact of less than £50,000. ■ Minor impact on internal business only. ■ Minor potential impact on brand value and market share. ■ Should not decrease the public's confidence in the Authority. ■ Minimal decline in service/product delivery, value and/or quality recognised by customers. ■ Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty. ■ First aid treatment.	■ Requires management action within a reasonable time period. ■ Requires process manager attention. ■ Timeframe for action is subject to competing priorities and cost/benefit analysis, eg. 9-12 months. ■ Reported in detailed findings in report.