

National Park Authority

Audit Committee Meeting

Agenda Item 12



Draft Governance Statement for inclusion in 2016/17 Annual Accounts

Paper for approval

1. Purpose

- 1.1 To present the proposed Governance Statement on internal control which is required 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.

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 2016/17 and subsequent signature by the Chief Executive. *(Please note that the final wording may change slightly as part of the accounts finalisation process.)*

3. Changes from 2015/16 Governance Statement

- 3.1 The following sections have changed compared with the 2015/16 Governance Statement:

4.1	Updated Board responsibilities to include Corporate Governance
4.3	Numbers of meetings updated and Remuneration Committee added. Delivery Group wording updated to remove review of Corporate Plan. Business session wording updated to replace "discuss" with "brief".
4.5	Audit Committee remit regarding internal control operation and internal audit updated to align with Terms of Reference
4.6	Details of attempted fraud inserted
4.7	Internal audit service provision updated to reflect change in internal auditors
4.8	Areas of internal audit review updated
4.9	External audit provision updated to reflect change in external auditors and audit approach
4.12	Risk management sections updated to reflect latest position
– 4.14	

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4. Introduction

GOVERNANCE STATEMENT **For the period ended 31 March 2016**

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 corporate governance, 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 four 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 brief members on matters of policy and organisational development.
 - The Delivery Group met four times to conduct a detailed review of performance against Annual Operational Plan targets and budget and to consider the Annual Operational Plan and budget for the following year.
 - The Audit Committee met four times to review the work of internal and external auditors.
 - The Strategy Group met six times to consider guidance on emerging issues, development of appropriate policies and strategies of the organisation.
 - The Remuneration Committee met twice in the year to consider Scottish Government Pay Policy as it affects the CEO and Board members.

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- 4.4 Full papers are issued in advance of these meetings to allow members to fully consider the matters for discussion.
- 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 overseeing the development of internal audit plans, reviewing the scope, efficiency and effectiveness of the work of internal audit, confirming the adequacy of internal control systems, promoting best practice 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 remit of the Audit Committee also includes receiving reports and advising the Board of any fraud, bribery or corruption, successful or attempted. Over the course of the year a fraud was attempted against the Authority by a hacker infecting a PC with malware. The fraud was unsuccessful and there was no loss to the Authority. An investigation was carried out by internal audit at the Authority's request and all controls observations have been reviewed and reported to the Audit Committee.
- 4.7 The internal audit function is an integral element of the Authority's internal control systems. The Authority entered into a Memorandum of Understanding with West Dunbartonshire Council for the provision of Internal Audit Services.
- 4.8 Over the course of the year to 31st March 2017, the internal auditors have reported to the Audit Committee on their independent reviews on absence management, ICT Healthcheck, Business Continuity/Disaster Recovery, Health and Safety, and Controls Risk Self-Assessment. An internal audit on Employee Licences/Vehicle Checks was undertaken in March 2017 and is due to be reported to the June Audit Committee. Internal Audit also completed a review of the attempted fraud arising from hacking.
- 4.9 In addition, the external auditors have reviewed key controls around areas of significant audit risk, and have furthermore completed a review of the Internal Auditors' reports, 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.

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- 4.10 The Scottish Government appoints the Authority's External Auditor. In 2016/17, Grant Thornton LLP replaced Audit Scotland as the Authority's External Auditor.

Risk Management

- 4.11 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. The general principles for a successful risk management strategy are set out in the SPFM.
- 4.12 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. The Board participated in a Risk Workshop in June 2016.
- 4.13 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 Delivery Group oversees the progress of high risk projects at their quarterly meetings.
- 4.14 The Executive prepare a Corporate Risk Register annually, which is considered by the Audit Committee and approved by the Board. In the event of any risk being increased to a "high" status, this is escalated to the Committee at the earliest opportunity.
- 4.15 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. 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

- 4.16 Measures are in place to ensure that information is managed in accordance with relevant legislation.

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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
- 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 team, Project Board meetings and discussed, as appropriate, at Managers meetings;
- 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 2016/17 states that based on the work undertaken over the course of the year, the overall control environment is substantially effective.

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