

INTERNAL AUDIT SERVICES

REPORT REF No 2016/17 – S/031/17

Loch Lomond & The Trossachs National Park Authority Controls Risk Self-Assessment Audit



INDEX OF CONTENTS

Section	Contents	Page No.
1.	Audit Report Summary	4
	1.1 General	4
2.	Main Report	5
	2.1 Introduction	5
	2.2 Scope and Objectives	5
	2.3 Findings	5
3.	Action Plan	9
Appendix 1	Priority Levels	11

Personnel associated with the report

Jaki Carnegie – Director of Corporate Services (Loch Lomond & The Trossachs National Park Authority)

Catriona Morton – Financial Performance Manager (Loch Lomond & The Trossachs National Park Authority)

Andy Jump – Finance and Procurement Manager (Loch Lomond & The Trossachs National Park Authority)

Amanda Aikman – Governance Manager (Loch Lomond & The Trossachs National Park Authority)

Stevie Thomson – ICT Manager (Loch Lomond & The Trossachs National Park Authority)

Martin Page – Ranger Service Manager (Loch Lomond & The Trossachs National Park Authority)

Paul Scullion – Facilities Manager (Loch Lomond & The Trossachs National Park Authority)

Emma Yendell – Estates Manager (Loch Lomond & The Trossachs National Park Authority)

Claire Ferguson: HR Adviser (Loch Lomond & The Trossachs National Park Authority)

Linda Black – Payroll Adviser (Loch Lomond & The Trossachs National Park Authority)

Laura Baird – Information Officer (Loch Lomond & The Trossachs National Park Authority)

Claire Andrews: Internal Auditor (West Dunbartonshire Council)

1. AUDIT REPORT SUMMARY

1.1 General

A Controls Risk Self-Assessment (CRSA) audit was conducted and we are pleased to report that the systems examined are generally working effectively.

The review highlighted that opportunities exist to strengthen internal controls and enhance the service provided, the most important of which are listed below;

- Develop a fraud risk register
- Review and update of policy documents.
- Complete fire risk assessments for all locations

The Audit also highlighted areas of good practice as follows;

- Effective and efficient controls for income management
- Strong purchasing and procurement controls

Full details of these opportunities and any other points that arose during the audit are included in the Action Plan, which forms Section 3 of this report.

2. MAIN REPORT

2.1 Introduction

A CRSA audit was carried out covering general governance as part of Internal Audit's Planned Programme of Audits for 2016/17.

2.2 Scope and Objectives

2.2.1 The objective of the CRSA approach is to gather assurance over key governance systems and policies.

The CRSA consists of a questionnaire and is completed by team managers who answer each question identifying the controls in place and detailing how they operate. The audit team then use the information to make an assessment, at an overview level, of the internal control environment. The assessment will take into account any current remedial work being undertaken.

An audit launch meeting was held with Catriona Morton, Andy Jump and Claire Andrews to agree the scope and objectives of the audit and to determine who would be best placed within the organisation to answer the questions on each area.

2.2.2 The questionnaire contained 108 questions covering a number of areas as detailed:

- Assets – Review of the fixed asset register process and physical security of assets.
- Expenses – Review of expense policy and authorisation of travel and expenses.
- Fraud – Review of policies covering fraud, corruption, bribery and conflict of interest as well as managements review of The Authority's fraud risks
- General – Review of general security, fire regulations and data protection.
- Income – Review of policies, debt recovery, receipt and recording of income
- People – Review of policies, performance review and payroll
- Purchasing and procurement – Review of policies, delegation of authority including the use of credit cards and the receipt of goods.

2.3 FINDINGS

The findings are based upon the answers given by The Authority.

2.3.1 The audit was conducted in conformance with the Public Sector Internal Audit Standards (PSIAS).

2.3.2 This report details all points arising during the audit review, full details of which are included in the findings with recommendations included in the Action plan contained within Section 3 of this report. We stress that these are the points arising via the planned programme of work and are not necessarily all of the issues that may exist.

2.3.3 The factual accuracy of this report has been verified by the Officers involved in the audit.

2.3.4 Audit would like to thank all staff involved in the audit process for their time and assistance.

2.3.5 Assets

The review of assets covered the documentation of delegation of authorities, the use of the fixed asset register, tagging, verification and physical security of assets.

The process of tagging and regular verification of assets is determined to be acceptable with the verification of tools being generally more regular than a standard annual check due to the health and safety aspects of ensuring that the tools are in good working order.

Assets are where necessary held securely within locked areas.

Questions were asked covering the purchasing and disposal of fixed assets. Internal Audit determined that the purchasing process appeared reasonable, however in regards to recording of disposals there is only a formal method of recording disposals if the asset is sold, part exchanged or gifted. There is no formal method of recording a straightforward disposal. From a record keeping point of view disposals should be recorded more fully.

The asset register is only updated annually rather than at the point of an addition or disposal. Internal audit would expect the register to be updated continuously as required.

Please see action plan below for more details.

2.3.6 Expenses

There are comprehensive travel and expenses policies in place, these were last updated in 2014 and are currently being reviewed showing that The Authority understands the need for regular review.

There is a thorough authorisation process for all travel and expense claims. Currently, in order for a claim to be processed it needs to be authorised by both an operational manager and a line manager. Internal Audit would suggest that this level of authorisation may not be required and in order to make the process more efficient The Authority could consider whether only one level of authorisation is needed.

2.3.7 Fraud

The Authority provided Internal Audit with policies covering all the areas of fraud that would be expected such as:

- Anti-fraud and corruption
- Whistleblowing policy
- Staff register of interest policy (which includes details on bribery)

Although the policies are in place they have not necessarily been updated regularly. Internal Audit would recommend a review of the policies in place. Please see action plan for further details.

It is expected that an organisation would assess areas which are most likely to be open to fraud. Currently The Authority is not performing this function. The corporate risk register mentions that board members need to be aware of their responsibilities but there is no specific focus on fraud. It is recommended that a fraud risk register is developed that is addressed by management. Please see the action plan below.

2.3.8 General

Audit sought to gain assurance that general security at all locations is sufficient. Based on the responses given Internal Audit are satisfied that access to buildings, security of empty buildings and alarms are sufficient.

It would be expected that organisations would have in place procedures detailing what should happen if there was a burglary, theft, bomb alert etc. It was stated in regards to breaches of security such as burglaries or theft, that although there are no documented procedures, employees are aware of the processes. Internal Audit recommends that these policies are documented. Currently in respect of bomb alerts staff are unaware of what procedures should be. Internal Audit would suggest in a time of heightened security alerts especially at popular tourist destinations a bomb alert procedure should be formulated. Please see the action plan below for further details.

Questions were posed regarding the security of safes throughout The Authority, this covered location of safes, access and changes to any combinations. Overall responses were positive and appear to be adequate. Currently the combination to the safe holding keys for pooled cars used by Ranger's is changed annually; due to the number of rangers with access to this safe it is determined impractical to change the combination every time a staff member leaves. Internal Audit would recommend that the combination is changed at least bi-annually at the start and end of each season. It was noted that at some locations during the summer months the amount of cash held can be high. It is recommended that banking is done either weekly or when the cash amount held reaches £500, whichever occurs first.

Internal Audit reviewed responses to questions asked concerning data protection. These covered the registration under the Data Protection Act, policies in place, complaint procedures and the checks required to ensure adherence to the policies.

From the responses Internal Audit are satisfied that staff are aware of the requirements under the Data Protection Act and their adherence to the policies. However the policies haven't been reviewed in-line with the recommendations set out in the policy document and the policies refer to employees who have since left The Authority. Internal Audit would recommend that the policy is reviewed and updated as required.

Internal Audit wished to gain assurance that The Authority believed that there were adequate controls in place to mitigate the risk of fire and any loss from fire. Fire wardens are in place and staff are instructed what to do in the event of a fire, The Authority are currently reviewing the frequency of fire drills and are aiming to make all locations consistent currently fire drills are carried out twice a year at headquarters.

It is recommended that a fire risk assessment is carried out annually; all except one fire risk assessment was last carried out in February 2015 and are therefore all overdue by approximately one year. When looking at the last risk assessments that were done a lot of the locations had recommendations in order to lower the risk in these locations. Internal Audit has not reviewed whether these recommendations were carried out.

2.3.9 Income

Details were provided to Internal Audit covering the policies in place, the recording and receipt of income and debt recovery procedures. Overall controls appear to be designed effectively. It was however noted that the Management Statement and Financial Memorandum that should be reviewed every two-three years hasn't been reviewed since 2010; as per other policies Internal Audit recommend that the policy be reviewed. Please see recommendation within the action plan. It is noted that the review of this policy needs engagement with the Sponsor Team and cannot be completed without their input.

2.3.10 People

In respect of people the questionnaire aimed to cover the policies in place such as the employee code of practice and equality & diversity as well as general controls over segregation of duties within the human resources function and general data and payroll processing.

Overall Internal Audit are satisfied that controls are designed effectively for the reviewed areas, in particular The Authority's improving position within the best companies survey show that employee morale is high and the PDP and 1-to-1 process is working effectively.

As with other areas Internal Audit found that the policies are overdue a review. Please see the action plan below.

2.3.11 Purchasing and procurement

In respect to purchasing and procurement the questionnaire aimed to gain an understanding of the policies in place and the controls for procurement including the usage of credit cards, cheques, and imprest accounts, the receipt of goods and the processing of invoices

As found elsewhere the policy documents were out of date and need reviewing.

In all other procurement areas under review the details of the controls given show a robust control environment in respect of purchasing and procurement.

3. Action Plan

CRSA – Action Plan					
Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be completed
1. <u>Fraud Risk register</u> Currently no focus is given by managers to determine the areas The Authority is most likely to be open to fraud.	A fraud risk register should be developed that addresses where fraud is likely to occur and what mitigating factors are in place.	Medium	A fraud risk register will be developed	Director of Corporate Services	August 2017
2. <u>Fixed Asset Register</u> The fixed asset register is not updated as required and disposals are not recorded completely.	As part of the ongoing review of the fixed asset policies, management should consider the more accurate recording of assets on the fixed asset register	Low	This will be incorporated into the refresh of the Fixed Assets policy	Financial Performance Manager	June 2017
3. <u>Policy Review</u> Many policies have not been reviewed regularly, they contain reference to out of date legislation and incorrect/out of date contact details for staff members and auditors.	Review of all policies, ensuring they are still up to date and relevant including references to legislation and staff members. Thought should be given to cross referencing between policies where relevant.	Low	All policies to be refreshed / updated as needed	Director of Corporate Services and Corporate Services / Estates Managers	February 2018
4. <u>Procedures</u> No procedures are documented in regards to theft etc. and there are no procedures for staff to follow in the event of a bomb alert.	Documented procedures should be formulated and made available to all staff.	Low	Procedures to be documented	Facilities Manager	February 2018

CRSA – Action Plan					
Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be completed
5. <u>Safe Combination</u> The combination to the safe holding the keys for the pooled cars used by the Ranger is only changed annually rather than every time a staff member leaves.	Taking into consideration the number of rangers with access to this safe and the practicality of changing the combination every time a staff member leaves. Internal Audit would recommend that the combination is changed at least bi-annually and at the start and end of each season.	Low	The key safe code will be changed twice a year (once at the start of the season and once at the end of the season)	Facilities Manager	March 2017
6. <u>Cash Held</u> The amount of cash held in safes can be high	Banking should be done either weekly or when the amount held reaches £500, whichever occurs first.	Low	Cash management procedures will be updated to reflect this guidance and in the short term relevant employees will be advised of this change via e-mail	Financial Performance Manager	February 2018 and e-mail advice by March 2017
7. <u>Fire Risk Assessments</u> Fire risk assessments are all out of date.	Fire risk assessments should be carried out, and any recommendations implemented timeously.	Low	All recommendations will be reviewed and new risk assessments will be arranged	Facilities Manager	February 2018

Appendix 1. Priority Levels

Recommendations have timescales for completion in line with the following priorities.

Priority	Expected implementation timescale
<u>High Risk:</u> Material observations requiring immediate action. These require to be added to the risk register of a Service (Council context).	Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed
<u>Medium risk:</u> Significant observations requiring reasonably urgent action.	Generally, complete implementation of recommendations within six months of action plan being agreed.
<u>Low risk:</u> Minor observations which require action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management.	Generally, complete implementation of recommendations within twelve months of action plan being agreed.

Note: About this report

This Report has been prepared on the basis set out in the Memorandum of Understanding (MOU) between the National Park Authority as the Client and West Dunbartonshire Council (WDC) as the provider of Internal Audit services. 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 MOU. This Report has been prepared for the benefit of the Client only. This Report has not been designed to be of benefit to anyone except the Client. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from the Client, even though we may have been aware that others might read this Report. This Report is not suitable to be relied on by any party wishing to acquire rights against WDC, other than the Client for any purpose or in any context. Any party other than the Client that obtains access to this Report or a copy (under the Freedom of Information (Scotland) Act 2002, the Environmental Information (Scotland) Regulations 2004 through the Client's 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, WDC does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Client. In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of the Client alone, this Report has not been prepared for the benefit of any other public sector 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 public sector or those who provide goods or services to those who operate in the public sector.