

National Park Authority

Audit Committee Meeting

Agenda Item 11



Draft Annual Report by Audit Committee to Board of Activity in 2016/17

Paper for information

1. Purpose

- 1.1 The Audit Committee is required to report annually to the full Board on its activities, and on the reports presented to the Committee by the Authority's internal and external auditors.
- 1.2 This Annual Report is presented by the Chair, Lindsay Morrison, on behalf of the Audit Committee to cover the period of its operations from August 2016 to September 2017, to include the completion of the 2016/17 year-end audits and submission of the annual reports to Parliament.

2. Recommendation

- 2.1 Members are asked to note the contents of this report.

3. Consideration

- 3.1 In line with good practice the Audit Committee reports annually to the Board on its activities and on the reports presented to the Committee by the Authority's internal and external auditors.

3.2 **Overview**

- 3.2.1 The period of this Annual Report covers consideration of final accounts for 2016/17, together with associated reports from Grant Thornton LLP, the Authority's external auditors for the period.
- 3.2.2 The Committee has continued to have oversight of the work of the Authority's internal auditors and consider reports issued by them.
- 3.2.3 The period covered by this report represents the first year of delivery of internal audit services by West Dunbartonshire Council.
- 3.2.4 The Committee met five times over the period covered by this report.

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- 3.2.5 In June 2017 Audit Committee members and officers participated in an externally facilitated “Reviewing the Effectiveness of the Audit Committee” workshop. This workshop was helpful to reinforce good practice and highlight suggested governance changes.
- 3.2.6 In addition to management reports from the Authority’s Internal and External Auditors, considered in further detail below, the Committee considered the following issues during the course of the year:
- 3.2.7 **Risk management** – the Audit Committee has strategic oversight of the organisation’s monitoring and management of risk. The Audit Committee reviewed the Corporate Risk Register in March 2017 and recommended the subsequent approval by the Board, also in March 2017. Progress is being monitored quarterly by the Audit Committee.
- The Executive continues to review the risk register on a regular basis and escalates any risk which has changed to a ‘high’ status to the Audit Committee at the earliest opportunity.
- 3.2.8 **Governance Statement** – reviewed and approved the Governance Statement for 2016/17 prior to its inclusion in the annual accounts and prior to signature by the Accountable Officer.
- 3.2.9 **Updates on progress in implementing previous audit recommendations** – officers have presented regular progress updates on the implementation of audit recommendations. These officer reports have been highlighted by internal auditors as establishing good practice. The internal auditors will also undertake formal follow-up reviews of action taken on previous recommendations. We are pleased to advise that the outstanding actions have been reduced significantly and closure remains a key priority.
- 3.2.10 **Consideration and agreement of forward internal audit activity plans** – the Committee agree a forward plan of internal audit activity for each year. Following the appointment of West Dunbartonshire Council as Internal Auditors a forward plan of internal audit activity for 2016/17 was approved by the Committee.

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3.3 Internal Audit

- 3.3.1 The Committee reviewed and agreed an annual internal audit work programme to be completed by the internal auditor.
- 3.3.2 Over the course of the period of this report, West Dunbartonshire Council have presented six management reports to the Committee. Their findings and consequent recommendations for action are graded according to the internal auditors' assessment of the significance of the underlying weakness to the effective management of the organisation. Table One (below) presents a summary of the internal audit findings over the period of this report.

Table One: Summary of Internal Audit Findings

Internal Audit	Number of recommendations		
	High	Medium	Low
Absence Management	-	-	4
ICT Healthcheck	-	1	3
Business Continuity / Disaster Recovery	-	-	-
Health and Safety	-	1	4
Controls risk self-assessment	-	1	6
Employee Licences / Vehicle Checks	-	-	3
Total	-	3	20

Key – West Dunbartonshire Council definition of categorisation of recommendations:

High: “material observation requiring immediate action”.

Medium: “significant observation requiring reasonably urgent action”.

Low: “minor observation requiring action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management”.

- 3.3.3 The Committee welcomes the fact that the majority of recommendations raised by internal audit over the course of the period covered by this report are low.

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- 3.3.4 According to the priority definitions, only high priority recommendations need be brought to the attention of the Audit Committee. In practice, and in line with the Authority's values of transparency, the Committee is aware of all recommendations made by the internal auditors, through consideration of full management reports following each audit review.
- 3.3.5 The Committee welcomes the value added by the additional number of audit days provided by West Dunbartonshire Council which is highlighting a higher volume of mainly low priority recommendations for improvement in systems and controls. This assists the Authority with the Best Value and continuous improvement agenda.
- 3.3.6 The Committee has agreed management responses to all recommendations made and continues to monitor progress made. The internal auditors have also conducted follow-up reports and report back to the Committee on their findings.
- 3.3.7 All scheduled internal audit work during the period was completed in a timely manner and feedback received complimented the organisation on the level of cooperation and efficiency of the organisation in responding to data requests.
- 3.3.8 The Committee has considered the Internal Auditors' Annual Report for 2016/17. The internal auditor's annual report for each year concludes that: "very effective arrangements are in place in relation to the systems of governance, risk management and internal control." This is the highest rating possible.
- 3.3.9 West Dunbartonshire Council was appointed as the new internal auditor for the Park Authority from 2016 – 2019.
- 3.3.10 Over the course of the year a fraud was attempted against the Authority by a hacker infecting a PC with malware. There was no loss to the Authority and 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.

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3.4 External Audit

- 3.4.1 The Authority's accounts for 2016/17 received a clear, unqualified external auditor's report and opinion from Grant Thornton LLP, our external auditors.
- 3.4.2 The accounts and external auditor's report for 2016/17 were reviewed and recommended for signature on 12th September 2017, still within the statutory timescales.
- 3.4.3 The Annual Report and Accounts will be submitted to Scottish Government on 13th September which is later than the usual deadline of 31st July each year.
- 3.4.4 The Audit Committee has considered Grant Thornton LLP's Annual Report on the 2016/17 audit. The reports highlight the following actions:
- That all property asset valuations are considered annually moving forward
 - Ensure that all invoices received post year end are classified as accruals rather than trade creditors.
 - Review the fixed asset register and remove all historic assets no longer held (no impact on net book value).
- 3.4.5 This was the first year of a five year appointment for the new external auditors Grant Thornton LLP.

4. Conclusion

- 4.1 The Audit Committee considers that it has been successful in progressing the Board's governance and internal control priorities during the period covered by this annual report.
- 4.2 The Committee was disappointed that the interim audit discussions and meetings did not identify far earlier the necessity of a re-evaluation, which differed to the approach Audit Scotland had previously taken. Notwithstanding the significant additional work and cost of undertaking a professional valuation the Committee welcomes the success in closing annual accounts and completing the external audit process this year. The Committee commend the finance team in responding to efficiently and competently to the last minute requirement.

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The Committee recognised that prior to this matter, the process had been very effective and would like to take this opportunity to register its thanks to the Grant Thornton team led by Gareth Kelly and encourages early identification and agreement on changes that might affect future accounts

- 4.3 There has been positive engagement through the period with issues identified by the Authority's internal and external auditors, and also by the Authority's officers. The Committee has received full reports on issues raised; considered recommendations made; and approved responses and actions.
- 4.4 The internal auditors' findings of very effective arrangements in relation to governance, risk management and internal control and that the assurance framework reflects the Authority's key objectives; and the external auditors' unqualified audit certificate, provide assurance to the Committee and Board that the Authority's internal control and governance objectives are being met effectively by management.
- 4.5 It is reassuring to see that the majority of recommendations are low priority and that the increase in the number of audit days allocated to reviews has increased the number and range of improvements to be made. While it is accepted that there will always be improvements than can be made to services and controls, and as such a number of recommendations for improvement from internal audit will be expected, the Committee welcomes the evidence of generally effective control systems evidenced by the reports.
- 4.6 The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.
- 4.7 The work of the Audit Committee is supplemented by the Delivery Group who report directly to the Board on the delivery of operational and corporate plans as well as financial and statutory reporting. The Audit Committee's remit of considering accuracy of accounting treatments and strength of internal control systems; implementation of effective risk management systems; and, more widely, effective, efficient and economic use of the Authority's resources in delivering our objectives has been achieved by thorough review of the reporting from internal and external audit, regular monitoring of actions arising from internal and external audit reports, review of the risk register and a review of the Authority's progress on the Best Value action plan.

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Board Sponsor: Lindsay Morrison, Chair Audit Committee