National Park Authority
Audit & Risk Committee Meeting

Agenda Item 9

Draft Governance Statement
for inclusion in 2017/18 Annual Accounts

Paper for approval

1. <u>Purpose</u>

   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. <u>Recommendation</u>

   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 2017/18 and subsequent signature by the Chief Executive. *(Please note that the final wording may change slightly as part of the accounts finalisation process.)*

3. <u>Changes from 2016/17 Governance Statement</u>

   3.1   The following sections have changed compared with the 2016/17 Governance Statement:

4.3	Numbers of meetings updated and changes to titles of Committees/Groups
4.5	Identifying that there were no known cases of fraud, bribery or corruption
4.7	Areas of internal audit review
4.13	Reporting that there have been no new high risks reported during the year
4.15	Achievement of Cyber Security Essentials PLUS accreditation

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4.   Introduction

GOVERNANCE STATEMENT
For the period ended 31 March 2018

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 five [assuming meetings will progress as planned] 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 and Risk Committee, renamed following a review of the terms of reference, met four times to review corporate risk and the work of Internal and External Auditors.
* The Chairs and Executive meeting, previously named the Strategy Group met three times to consider guidance on emerging issues and the development of a revised governance structure and strategies for the organisation.

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- The Remuneration Committee met once in the year to consider the CEOs objectives and the daily fee level for Board members.

4.4   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 and Risk 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 and Risk 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 and Risk Committee. The Audit and Risk Committee reports to the Board on the adequacy and effectiveness of the Authority's internal controls.

4.5   The remit of the Audit and Risk Committee also includes receiving reports and advising the Board of any fraud, bribery or corruption, successful or attempted. The Committee approved a revised Fraud, Bribery and Corruption Policy. There were no fraud, bribery or corruption attempts to report.

4.6   The Internal Audit function is an integral element of the Authority's internal control systems. West Dunbartonshire Council are in their second of three years of providing Internal Audit Services.

4.7   Over the course of the year to 31 March 2018, the Internal Auditors have reported to the Audit and Risk Committee on their independent reviews on Employee Licences / Vehicle Checks, Banking, Energy Management / Facilities Management, Freedom of Information / Environmental Information Regulations, Camping Management Byelaws 2017 and Controls Risk Self-Assessment.

4.8   In addition, the External Auditors have reviewed key controls around areas of significant audit risk, and have furthermore completed a review of the Internal Auditor's 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.

4.9   The Scottish Government appoints the Authority's External Auditor. This is the second year of Grant Thornton UK LLP's 5 year term as the Authority's External Auditor.

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Risk Management

4.10   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.

4.11   The Board recognises the importance of corporate risk management in the activities of the organisation. The Board has provided leadership on the importance of risk management at the highest level within 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.

4.12   The Audit and Risk Committee and Executive Team lead 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 meetings.

4.13   The Executive prepare a Corporate Risk Register annually, which is considered by the Audit and Risk 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. There have been no new high risks reported during the year.

4.14   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

4.15   Measures are in place to ensure that information is managed in accordance with relevant legislation. The Authority's policy is to maintain the highest level possible of data security in its operations. Following the recent well publicised Malware cyber security issues to hit Europe, Scottish Government have provided direction to public bodies to attain Cyber Security Essentials PLUS accreditation for the organisation by the end of October 2018. Testing was carried out in January 2018 and the Cyber

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Essentials PLUS certificate was issued in February 2018. This certifies that our organisation was assessed as meeting the Cyber Essentials implementation profile and thus that, at the time of testing, the organisation's ICT defences were assessed as satisfactory against commodity based cyber-attack.

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 Operational Managers meetings.
- The work of the Internal Auditors, who submit regular reports to the organisation's Audit and Risk Committee which include 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 and Risk Committee and a plan is in place to address recommendations made 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 provides 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 2017/18 states that based on the work undertaken over the course of the year, [to be added when confirmed] arrangements are in place in relation to the systems of governance, risk management and internal control.

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