

# National Park Authority

## Audit & Risk Committee Meeting

Agenda Item 7



### Outstanding Actions Update

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#### *Paper for information*

1. Purpose

The purpose of this paper is to provide an update on the outstanding actions arising from internal audit work and to present a review of the outstanding Fixed Asset internal audit actions providing a summary of work completed and planned.

2. Recommendation

2.1 Members are asked to note this report and the actions as shown below.

2.2 Members are asked to review and approve the management responses shown in the Fixed Assets section 7 below: clearing one action based on alternative work carried out; and deleting three actions which would be monitored as part of the policy development action.

3. Contribution to Our 5 Year Plan

This contributes towards the delivery of Our 5 Year Plan by ensuring that we improve the processes we use to achieve our aims and objectives following robust and regular reviews by Internal Audit.

4. Recently Completed Actions

Three actions have been completed during the last quarter: one medium risk in relation to the reconciliation of banking income and two low risks; one in relation to an update of the complaints handling procedures and one in relation to policy development which the Committee agreed at the last meeting as complete. (**Appendix 1**)

5. Outstanding Actions (Appendix 1)

5.1 Of the seven actions outstanding there are four low risk actions and three medium risk actions.

5.2 There are three actions behind schedule but with progress being made. Of these actions two are medium risk but draft documentation has been prepared so the risk will naturally have lowered.

5.3 There are four actions not yet due for completion.

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6. Policy Review

The Audit Committee were satisfied to close this action and requested regular sight of the list of policies and review dates. This is attached at **Appendix 3**.

7. Fixed Asset Outstanding Actions

7.1 Four actions remain outstanding in relation to three internal audits in 2014/15, 2015/16 and 2016/17. These actions were collated on a separate action list (**Appendix 2**) as previously we had highlighted resource issues as a challenge in clearing these actions.

7.2 Various pieces of work have been completed or are being progressed in relation to the management of our assets so this is an appropriate point to review these outstanding actions and merge any remaining actions with the general actions list (**Appendix 1**).

7.3 The table below provides an update on the actions being taken and recommends that one action is cleared based on alternative work carried out; and three actions are deleted as these would be monitored as part of the policy development action on **Appendix 1**.

Internal Audit Recommendation	Updated Management Response
<p>Management should update the current fixed asset policy to ensure it reflects current practices at the authority ensuring that the policy is robust and allows for efficient asset management, appropriate update of the fixed asset register and accurate reflection of the Net Book Value of all assets in use by the Authority for accounting purposes.</p>	<p>We have recognised the need for two policies: Accounting for Fixed Assets and Asset Management.</p> <p>The Accounting for Fixed Assets policy has been substantially written and is at internal review and revision stage. The most significant accounting treatment on valuation of property assets has been agreed with External Audit as part of the 2017/18 annual accounts process.</p> <p>The Asset Management policy will reflect the operational management of our asset base and the structure for this policy is in process and being managed by the Financial Performance Manager. Operational Managers will contribute to the various sections on property, tools &amp; equipment, IT equipment etc.</p>

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Internal Audit Recommendation	Updated Management Response
	<p>There is a separate internal audit action arising from the 2016/17 Controls Risk Self-Assessment audit to review, update and cross-reference all policies as appropriate.</p> <p><u>Management Response:</u> delete this action and monitor progress of the two new policies identified as part of the Policy update that is provided to the Committee.</p>
<p>Management should ensure that the asset register is updated to reflect the recognition and initial measurement at net book value to allow the reconciliation of the revaluation reserve to revaluations and impairments and ensure that previous revaluations have been appropriately reported within the fixed asset register.</p> <p>The use of the fixed asset software could be reintroduced to record the fixed asset register to improve the quality and robustness of the information and provide a better audit trail.</p>	<p>This relates to the valuation of our property assets which have been reviewed in detail recently and subject to scrutiny by External Audit, both Audit Scotland and Grant Thornton.</p> <p>The Finance, Legal and Estates Teams have worked closely together to ensure that all our property assets are shown on the fixed asset register and the results of this work were reviewed in detail by External Audit (Audit Scotland).</p> <p>We use an external professional to value our property. A full valuation was carried out in 2014 and in 2017 a desktop valuation was completed on existing assets. Any new assets are valued on initial recognition. In 2018 we agreed a policy of indexation with External Audit.</p> <p>We have a detailed reconciliation showing the Revaluation Reserve by asset.</p> <p>We have established with our software provider that the Fixed Asset Module available is not capable of being networked and therefore this is not a viable or practical solution. So we recommend continuing use of the Excel spreadsheet as at present.</p> <p><u>Management Response:</u> This action to be shown as complete based on the alternative work carried out.</p>

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Internal Audit Recommendation	Updated Management Response
<p>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; and Verification of individual/groups of assets.</p>	<p>We agree that this remains a risk (low rating) and a similar point has been made by External Audit.</p> <p>The work to resolve this will form part of the Asset Management Policy.</p> <p><u>Management Response:</u> delete this action and monitor progress of the Asset Management Policy as part of the Policy update that is provided to the Committee.</p>
<p>As part of the on-going review of the fixed asset policies, management should consider updating the fixed asset register at the point of addition or disposal and to improving the disposal recording process to take account of straightforward disposals.</p>	<p>We have considered the practicality of updating the fixed asset register at the point of addition and concluded that the analysis carried out as part of the management accounts process and at yearend to confirm assets to be capitalised is the most efficient way for us to monitor additions and ensure that the asset register is accurately updated.</p> <p>Asset disposal monitoring does require to be improved and this will form part of the Asset Management policy update.</p> <p><u>Management Response:</u> delete this action and monitor progress of the Asset Management Policy as part of the Policy update that is provided to the Committee.</p>

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