

# National Park Authority

## Audit & Risk Committee Meeting

Agenda Item 9



### Draft Annual Report by Audit & Risk Committee to Board of Activity in 2017/18

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#### *Paper for information*

##### 1. Purpose

- 1.1 The Audit & Risk 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 & Risk Committee to cover the period of its operations from September 2017 to September 2018, to include the completion of the 2017/18 year-end audits, signing of the annual accounts and submission of the annual reports to Scottish Government to be laid before Parliament.

##### 2. Recommendation

Members are asked to note the contents of this report.

##### 3. Contribution to National Park Partnership Plan and Our 5-year Plan

The role of the Audit & Risk Committee supports the management of risk to delivery of the National Park Partnership Plan 2018-23 and Our 5-year Plan 2018-2023 and ensures that good governance is in place to allow for the continuous improvement in our systems and processes evidencing best value.

##### 4. Consideration

In line with good practice the Audit & Risk 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.

##### 4.1 **Overview**

- 4.1.1 The period of this Annual Report covers consideration of final accounts for 2017/18, together with associated reports from Grant Thornton LLP, the Authority's external auditors for the period.
- 4.1.2 The Committee has continued to have oversight of the work of the Authority's internal auditors and consider reports issued by them.

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- 4.1.3 The Committee met four times over the period covered by this report.
- 4.1.4 In addition to management reports from the Authority's Internal and External Auditors, the Committee considered the following issues during the course of the year:
- 4.1.5 **Corporate Risk management** – the Audit & Risk Committee provides scrutiny and oversight by monitoring and reviewing risk and providing robust assurance in these areas to the Board. The 2017/18 Corporate Risk Register was approved by the Board in March 2017 and progress in managing risk was reported quarterly to the Committee for review and assurance purposes. The Committee also reviewed and approved the Fraud Risk Register in March 2018.
- 4.1.6 **Governance Statement** – reviewed and approved the Governance Statement for 2017/18 prior to its inclusion in the annual accounts and prior to signature by the Accountable Officer.
- 4.1.7 **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.
- 4.1.8 **Policy updates** – from December 2017 the Committee has reviewed progress on the policy update schedule. The Committee reviewed and approved the Whistleblowing Policy in September 2017 and the Fraud, Bribery and Corruption policy in December 2017.
- 4.1.9 **Consideration and agreement of forward internal audit activity plans** – a forward plan of internal audit activity for 2017/18 was approved by the Committee.

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4.1.10 **Terms of Reference** – following the June 2017 workshop on “Reviewing the Effectiveness of the Audit Committee”, Committee Members highlighted the need to reconsider the Audit Committee Terms of Reference and to align them more closely with the model Terms of Reference within the Scottish Government Audit Committee Handbook, including the addition of the word ‘risk’ to the title. The updated Terms of Reference were approved by the Committee in December 2017.

4.1.11 **Board Member Training** – the Committee monitored progress of Board Member training on a quarterly basis.

#### 4.2 Internal Audit

4.2.1 The Committee reviewed and agreed an annual internal audit work programme to be completed by the internal auditor.

4.2.2 Over the course of the period of this report, West Dunbartonshire Council have presented five 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
Banking Review	-	3	2
Controls risk self-assessment	-	1	2
Energy Management / Facilities Management	-	-	6
Freedom of Information / Environmental Information Regulations	-	-	1
Camping Management Byelaws	-	-	2
<b>Total</b>	<b>-</b>	<b>4</b>	<b>13</b>

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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”.

- 4.2.3 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.
- 4.2.4 According to the priority definitions, only high priority recommendations need be brought to the attention of the Audit & Risk 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.
- 4.2.5 The Committee welcomes the value added by the 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.
- 4.2.6 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.
- 4.2.7 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.
- 4.2.8 The Committee has considered the Internal Auditors’ Annual Report for 2017/18. 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.

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4.2.9 The period covered by this report represents the second year of delivery of internal audit services by West Dunbartonshire Council.

#### 4.3 External Audit

4.3.1 The Authority's accounts for 2017/18 received a clear, unqualified external auditor's report and opinion from Grant Thornton LLP, our external auditors.

4.3.2 The accounts and external auditor's report for 2017/18 were reviewed and recommended for signature on 26<sup>th</sup> June 2018, within the statutory timescales.

4.3.3 The Annual Report and Accounts were submitted to Scottish Government in July 2017.

4.3.4 The Audit Committee has considered Grant Thornton LLP's Annual Report on the 2017/18 audit. The report highlights the following actions:

- Review the medium term financial projections and consider these with the Board when shaping financial strategy.
- Review the fixed asset register and remove all historic assets no longer held (no impact on net book value).

4.3.5 This was the second year of a five year appointment for the external auditors Grant Thornton LLP.

#### 5. Conclusion

5.1 The Audit & Risk 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. This includes a review of and revisions to the Committee Terms of Reference to ensure that they represented good practice and were aligned more closely with the Scottish Government Audit Committee Handbook.

5.2 The Committee welcomed the success in finalising the annual accounts and completing the external audit process this year. The Committee recognised that the process had been very effective and would like to take this opportunity to register its thanks to both the Authority Finance team and the Grant Thornton team led by John Boyd, and encouraged early identification and agreement on changes that might affect future accounts

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- 5.3 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.
- 5.4 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.
- 5.5 It is reassuring to see that the majority of recommendations are low priority and that the number of audit days allocated to reviews continues to identify a number and range of improvements to be made. While it is accepted that there will always be improvements that can be made to services and controls, and as such a number of recommendations for improvement from internal audit will be expected, the Committee welcomed the evidence of generally effective control systems evidenced by the reports.
- 5.6 The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.
- 5.7 The work of the Audit & Risk Committee was supplemented by the Delivery Group during 2017/18 who reported directly to the Board on the delivery of operational and corporate plans as well as financial and statutory reporting. The Audit & Risk 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 Corporate Risk Register, Fraud Risk Register and key policies, and a review of the Authority's progress against the Best Value policy.

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