National Park Authority
Audit & Risk Committee Meeting

Agenda Item 11

Draft Annual Report by Audit & Risk Committee to Board of Activity in 2018/19

Paper for decision

1. <u>Purpose</u>

   1.1   In accordance with the Scottish Government Audit and Assurance Committee Handbook ("the Handbook") the Audit & Risk Committee is required to provide the Board and Accountable Officer with a written annual report, timed to support the finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

   1.2   In prior years this report has been prepared for review by the Audit & Risk Committee in June and presented to the Board in September. However given the timing requirement outlined in section 1.1 a draft report is included in this paper for review and to support the Committee in deciding on the timing and sequencing of the report, and of the relevant meetings, at the March Committee.

   1.3   The timings of our Board and Audit & Risk Committee meetings make compliance with this requirement challenging as the Board meeting in June is before the Audit & Risk Committee meeting. In addition some of the significant reports that the Audit & Risk Committee members rely on for assurance purposes are not available until the June Committee e.g. final internal audit and external audit reports, and external audit opinion on the annual accounts and we usually submit the annual reports to the Scottish Government in July. The finalisation of the annual accounts is also significantly time pressured.

   1.4   Therefore if we wish to follow strictly the guidance in the Handbook we would need to consider changing the dates and order of the June Audit & Risk Committee and June Board meeting. This is not recommended for 2019, but could be considered for 2020 and beyond. However our current processes work well and the risk of maintaining the current process does not appear high.

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2. <u>Recommendation</u>

2.1 Members are asked to decide on the timing and sequencing of the Audit & Risk Committee's Annual Report to the Board. Officers' recommendation is to continue with the current timing and maintain the sequencing of the June Board meeting being before the June Audit & Risk Committee. Therefore the draft Audit & Risk Committee's Annual Report to the Board would be presented to the Committee in June and presented to the September Board meeting.

3. <u>Contribution to National Park Partnership Plan and Our 5-year Plan</u>

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. <u>Report Content</u>

In accordance with the Scottish Government Audit and Assurance Handbook this report is presented to the Board and Accountable Officer by the Chair, Ronnie Erskine, and Depute Chair, David McCowan, on behalf of the Audit & Risk Committee to cover the period of its operations from [September 2018 to June 2019] summarising its conclusions from the work it has done during the year.

4.1 **Overview**

4.1.1 [The period of this Annual Report covers consideration of final accounts for 2018/19, 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.

4.1.3 The Committee met [three] 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:

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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 2018/19 Corporate Risk Register was approved by the Board in June 2018 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 2019].

4.1.6 **Governance Statement** – [reviewed and approved the Governance Statement for 2018/19 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** – the Committee has reviewed progress on the policy update schedule quarterly.

4.1.9 **[Consideration and agreement of forward internal audit activity plans** – a forward plan of internal audit activity for 2019/20 was approved by the Committee in March 2019.]

4.1.10 **[Terms of Reference** – the Audit & Risk Committee Terms of Reference were revised to align them more closely with the recently revised (March 2018) model Terms of Reference within the Scottish Government Audit and Assurance Committee Handbook, and the Terms of Reference were approved by the Committee in March 2019.]

4.1.11 **[Assurance Framework** – in accordance with the requirements of the Scottish Government Audit and Assurance Committee Handbook a draft assurance framework was presented to the Committee for review and approved in March 2019.]

4.1.12 **Board Member Training** – the Committee monitored progress of Board Member training on a quarterly basis and [number] of Board Members,

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including [number] of Audit & Risk Committee Members attended training in March 2019 on "The Effective Audit & Risk Committee".

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
Ranger Deployment	-	1	1
Access	-	-	4
Greenspace	-	1	1
Performance Indicators	-	-	1
Procurement	-	6	1
Total	**-**	**8**	**8**

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 no high recommendations have been raised by internal audit and that a medium and low recommendations have been identified to assist in on-going improvement of our processes and controls.

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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 2018/19. 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.]

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

4.3   **External Audit**

4.3.1   [The Authority's accounts for 2018/19 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 2018/19 were reviewed and recommended for signature on 27th June 2019, within the statutory timescales.]

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4.3.3   [The Annual Report and Accounts were submitted to Scottish Government in July 2019.]

4.3.4   [The Audit Committee has considered Grant Thornton LLP's Annual Report on the 2018/19 audit. The report highlights the following actions:

-   ]

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

5.   <u>Report Conclusion</u>

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 and Assurance 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.]

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 there are no high priority recommendations 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

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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 2018/19 who reported directly to the Board on the delivery of high priority projects. 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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