National Park Authority
Audit & Risk Committee

Agenda Item 10

Draft Governance Statement
for inclusion in 2018/19 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. This is attached at Appendix 1.

    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 2018/19 and subsequent signature by the Chief Executive. *(Please note that the final wording may change slightly as part of the accounts finalisation process and sections included in [square brackets] will be updated after the year end date.)*

3. <u>Changes from 2017/18 Governance Statement</u>

    The changes in the 2018/19 Governance Statement reflect the numbers of meetings and changes to the committee structure, the report of an alleged fraud, the areas of internal audit review and an update to the data security section to reflect the work carried out during the year.

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National Park Authority
Audit & Risk Committee

Agenda Item 10

Draft Governance Statement
for inclusion in 2018/19 Annual Accounts

GOVERNANCE STATEMENT

Governance Framework

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 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 audit and risk, 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.

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

A review of the governance structure of the Board and Sub Committees was completed in 2017/18 and approved by the Board in March 2018. The changes ensure there is a good balance of Board time divided between the scrutiny of the organisation's performance, discussion and development of policy and strategy and in engaging with issues and stakeholders in the National Park. They also ensure that the full Board is well informed on organisation performance whilst delegating more detailed responsibilities appropriately to statutory and non-statutory Committees. Key changes that took effect in 2018/19 are:
-   Local elections took place on 5th July 2018 to appoint five members to the National Park Authority Board; three of which were re-elected, Willie Nisbet, David McCowan and Billy Ronald. Bob Darracott and Martin Earl were new locally elected members. Their term is four years.
-   Five members were appointed by Scottish Ministers (following assessment of applicants in accordance with the rules issued by the Office of the Commissioner for Public Appointments in Scotland) starting on 1st November 2018 for a four year term. Scottish Ministers re-appointed James Stuart for a further 4 year term from 1st February 2019.
-   A programme of development and training has been implemented and will continue beyond the current year to support an effective induction.
-   The Board reviews performance against the Annual Operational Plan (previously the Delivery Group).

National Park Authority
Audit & Risk Committee
Agenda Item 10

Draft Governance Statement
for inclusion in 2018/19 Annual Accounts

- The Chairs & Executive Group reviews financial reporting and the Draft Budget and Annual Operational Plan prior to Board approval (previously the Delivery Group).
- The Remuneration Committee has been removed and responsibility for considering the CEO's objectives has reverted back to the Convenor and the process for agreeing the daily fee for Board Members has been confirmed in line with the Senior Pay Policy guidelines which is thereby proposed by the Convenor/Accountable Officer to the SG Pay Policy and approved by the Sponsor Team.
- Additional Board sessions have been programmed for strategy and Board development.

The Board and Committees met on the following basis during the year:
- The Board held [four] 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 [three] times. The Delivery Group provides scrutiny and oversight of delivery of the Authority's high priority projects and provides robust assurance of project progress and management to the Board.
- The Audit & Risk Committee met [four] times to review corporate risk and the work of Internal and External Auditors.
- The Chairs and Executive Group met [three] times to discuss emerging issues in relation to the management of governance, priority issues, financial performance and strategies for the organisation.

The outcomes from the Board and its Committees during the year included:
- Approval of Our 5-Year (Corporate) Plan prior to it being submitted for Scottish Ministers approval.
- Approval of our suite of Standing Orders and Terms of Reference following changes to the Governance Structure ensuring good governance/statutory compliance.
- Approval of the annual update on the second season of operation of The Loch Lomond and The Trossachs National Park Camping Management Byelaws 2017 to submit to Scottish Ministers.
- [Approval of the annual budget and annual operational plan for 2019/20] and the corporate risk register for 2018/19.

Recommendations from independent Internal 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 & 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 & 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

National Park Authority
Audit & Risk Committee

Agenda Item 10

Draft Governance Statement
for inclusion in 2018/19 Annual Accounts

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

The remit of the Audit & Risk Committee also includes receiving reports and advising the Board of any fraud, bribery or corruption, successful or attempted. There were no fraud, bribery or corruption attempts to report. A report of an alleged fraud was received in December 2018 and was investigated in line with our Fraud Response Plan, and the investigation is [expected to conclude in March].

The Best Value policy was revised in May 2018 increasing efficiency in the reporting of our achievements. The Audit & Risk Committee received the Annual Report on Best Value for 2018/19 in [June 2019] confirming our compliance with the Best Value Guidance to Accountable Officers. The main monitoring tool we use to demonstrate continuous improvement is our Annual Operational Plan update which is also reported to the Board.

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

The Internal Audit function is an integral element of the Authority's internal control systems. West Dunbartonshire Council are in their third year of providing Internal Audit Services. This provision of Internal Audit Services has been extended, in accordance with the terms of the Memorandum of Understanding, for one further year to 31 March 2020 and procurement will take place during 2019/20 for Internal Audit Services from April 2020.

Over the course of the year to 31 March 2019, the Internal Auditors have reported to the Audit & Risk Committee on their independent reviews on Performance Indicators, Access, Procurement, Greenspace and Ranger Deployment.

As part of the internal audit process, each member of the Executive team prepares an annual statement of assurance that is presented to the CEO, as Accountable Officer, and shared with the Audit & Risk Committee. These annual statements indicate that reasonable assurance can be placed on the adequacy, effectiveness, robustness, and proportionality of each of the Services arrangements for control, governance and risk management in the year.

The Auditor General for Scotland appoints the Authority's External Auditor. This is the third year of Grant Thornton UK LLP's five year term as the Authority's External Auditor.

Risk Management

National Park Authority
Audit & Risk Committee

Agenda Item 10

Draft Governance Statement
for inclusion in 2018/19 Annual Accounts

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.

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 Our 5-Year Plan and Annual Operational Plan objectives, National Park Plan delivery, and for wider assessment of organisational performance.

The Audit & 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.

The Executive prepare a Corporate Risk Register annually, which is considered by the Audit & 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.

The Authority has also adopted a risk based approach to the management and monitoring of its Operational and Our 5-Year 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

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. Over the course of 2018/19 a number of improvements have been implemented to increase our data and systems security such as; regular maintenance windows, ICT Roadmap tracking End of Life Software Products and full implementation of the NCSC's Active Defence programme as recommended by the Scottish Government. The NCSC Active Defence programme provides Protective DNS, Website security analysis, Email security analysis and a Phishing email reporting service. The Authority's Cyber Essentials Plus certificate was renewed in February 2019: this certifies that the Authority was assessed as meeting the Cyber Essentials Plus implementation profile and therefore, at the time of testing, our ICT defences were assessed as satisfactory against commodity based cyber-attack.

National Park Authority
Audit & Risk Committee

Agenda Item 10

Draft Governance Statement
for inclusion in 2018/19 Annual Accounts

The Authority carried out a data protection audit of records containing personal data, updated the Data Protection Policy and website privacy statement, and put in place privacy notices and privacy impact assessments to ensure that the required processes were in place to comply with the General Data Protection Regulations (GDPR) and Data Protection Act 2018.

Conclusion

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 & 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.

I have been advised on the implications of the result of my review by both the Board and its Audit & Risk Committee and a plan is in place to address recommendations made and ensure continuous improvement of the systems.

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.

The Internal Auditor's annual report for 2018/19 states that based on the work undertaken over the course of the year, [very effective] arrangements are in place in relation to the systems of governance, risk management and internal control.