

**INTERNAL AUDIT SERVICES**  
**May 2020**

**LOCH LOMOND & THE TROSSACHS  
NATIONAL PARK AUTHORITY**

**INTERNAL AUDIT ANNUAL REPORT  
2019/20**



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**Personnel associated with the report:**

Andi Priestman: Shared Service Manager – Audit & Fraud

## 1. BACKGROUND

### Internal audit plan

The internal audit plan for 2019/20, as approved by the audit committee, was developed based on consideration of:

- The internal audit plans for previous years, observations and key findings arising from internal audits conducted during 2018/19;
- Discussions with members of the senior management team and comments from members of the audit committee;
- Consideration of the Park Authority's risk register, as developed and provided by management;
- Requirements for internal audit;
- Known changes in the operating environment and state of control as identified through discussions with management; and
- Consideration of key business processes.

Through these processes, potential internal audits were identified and prioritised, based on those areas viewed as of greatest benefit by Internal Audit, senior management and the audit committee.

### Purpose of internal control

The Public Sector Internal Audit Standards ("PSIAS") require that the Chief Audit Executive (Head of Internal Audit) provides the audit committee with an annual internal audit opinion based on the work performed during the financial year. The audit committee should use this and other sources of assurance to make its annual report to the board. In addition, the opinion supports the audit committee and board's consideration of the governance statement included with the financial statements. The opinion of the internal auditor does not supersede the Park Authority's responsibility for risk, control and governance.

### Respective responsibilities of management and internal auditors in relation to internal control

It is the responsibility of the Park Authority's Executive Team to establish an appropriate and sound system of internal financial control and to monitor the continuing effectiveness of that system. It is the responsibility of the Head of Audit to provide an annual overall assessment of the robustness of the internal financial control system.

### The Park Authority's framework of governance, risk management and internal control

The Park Authority has a responsibility to ensure that its business is conducted in accordance with legislation and proper standards.

The governance framework comprises the systems and processes, culture and values by which the Park Authority is directed and controlled and how it accounts to communities. It enables the Park Authority to monitor the achievement of its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The main objectives of the Park Authority's internal control systems are to ensure:

- Adherence to management policies and directives in order to achieve the organisation's objectives;
- Economic, efficient, effective and safe use of resources and assets;
- The relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- Compliance with statutory requirements.

The system of internal control is a significant element of the governance framework. Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, management overriding controls or breaches of laws or regulations. Accordingly, the Park Authority is continually seeking to improve the effectiveness of its systems of internal control in order to identify and prioritise the risks that would prevent the achievement of the Park Authority's strategic objectives. In addition, there is no certainty that internal controls will continue to operate effectively in future periods or that controls will be adequate to mitigate significant risks that may arise in the future.

### **The work of internal audit**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal audit function for the Park Authority is provided by West Dunbartonshire Council's Internal Audit Section and in accordance with the Public Sector Internal Audit Standards (PSIAS) which have been agreed to be adopted from 1st April 2013 by the relevant public sector Internal Audit Standard setters. PSIAS applies the Institute of Internal Auditors International Standards to the UK Public Sector.

Internal Audit undertakes an annual programme of work from which is prepared reports identifying system weaknesses and / or non-compliance with expected controls. These are brought to the attention of management and the Audit Committee together with appropriate recommendations and agreed action plans. A Summary of Internal Audits performed during 2019/20 is included at Appendix 1 of this report. All planned work was completed on schedule in accordance with the programme agreed with management.

It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken on audit recommendations.

The internal auditor is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. A programme of follow-up on assignment findings and recommendations provides assurance on the complete and timeous implementation of Internal Audit recommendations. For 2019/2020, there were 13 actions due for completion by 31 March 2020. We have followed up the completion status of these actions and can report that 11 out of 13 (85%) of actions have been completed. Revised action dates have been set for the remaining 2 actions.

## **2. INTERNAL AUDIT OPINION**

### **Basis of Opinion**

The evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2020;
- The assessment of risk completed during reviews of the annual audit plan;
- Reports issued by the Park Authority's External Auditors and other review agencies; and
- Internal Audit's knowledge of the Park Authority's governance, risk management and performance monitoring arrangements.

The undernoted sources of assurance were not available at the time of writing the report and have therefore not been included as part of the evaluation of the control environment:

- The assurance statements signed by the Executive Team on the operation of the internal financial controls for the services for which they were responsible during the year to 31 March 2020;
- The assurance statement signed by the Chief Executive for the overall Park Authority for the year ended 31 March 2020;

### **COVID-19**

The significant incident in late March 2020 tested how well the risk management, governance and internal control framework is operating within the Authority. It will be important for the Authority, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

### **Limitation to Resources or Scope of Internal Audit Work**

There were sufficient resources available to deliver the programme of audit assignments contained within the 2019/20 Audit Plan and no significant threats emerged to the independence of the internal audit activity such as inappropriate scope or resource limitations.

## Opinion

My overall opinion for the year from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020 is that substantially effective arrangements are in place in relation to the Park Authority's systems of governance, risk management and internal control.

Signature: Andi Priestman

Title: Shared Services Manager - Audit and Fraud

Date: 27 May 2020

### 3. PERFORMANCE OF INTERNAL AUDIT

#### Compliance with standards

The internal audit function for the Park Authority has been provided in accordance with the Public Sector Internal Audit Standards (PSIAS).

The table included at Appendix 3 summarises our performance during 2019/20 against key performance indicators.

#### Quality control

Our aim is to provide a service that not only meets the Park Authority's needs but also maintains consistently high standards. This is achieved as follows:

- Preparation of a detailed audit plan which is agreed by management and the Audit Committee for approval;
- Regular review of progress against the plan to ensure we are delivering the work we have promised. In 2019/20 we completed all audit work as required;
- The use of the appropriate mix of staff from West Dunbartonshire Council's Internal Audit team; and
- Monitoring of performance against targets.

#### Liaison with External Audit

Aspects of our work are considered by the Park Authority's external auditor, Grant Thornton.

## Appendix 1

### Summary of Internal Audits performed during 2019/20

|   |               | <u>No. Of Agreed Actions</u> |               |               |   |
|---|---------------|------------------------------|---------------|---------------|---|
| <u>Report Title</u>   | <u>Status</u> | <u>High</u>                  | <u>Medium</u> | <u>Low</u>    | <u>Comments</u>   |
| Grants and Contributions  | Complete      | 0                            | 0             | 0             | N/A   |
| Sickness  | Complete      | 0                            | 0             | 3 (0)         | All actions completed.  |
| Boat Registration Process Review                                  | Complete      | 0                            | 2 (0)         | 5 (2)         | 5 actions have been completed; 1 action not yet due but is on track for completion; 1 action date revised but is on track to be completed by revised date (low risk). |
| Control Risk Self Assessment (CRSA)                               | Complete      | 0                            | 0             | 2 (1)         | 1 action complete and 1 action date has been revised due to COVID-19 emergency arrangements (low risk).   |
| Independent Assurance Review – Environmental Monitoring Framework | Complete      | 0                            | 2 (0)         | 1 (1)         | 2 actions complete, 1 action not yet due (low risk).  |
|   |               | -----                        | -----         | -----         |   |
| <b>TOTAL</b>  |               | <b>0</b>                     | <b>4 (0)</b>  | <b>11 (4)</b> |   |
|   |               | ====                         | ====          | =====         |   |

### **Priority Levels**

| <b>Priority</b>   | <b>Expected implementation timescale</b>   |
|---|--|
| High Risk:<br>Material observations requiring immediate action. These require to be added to the risk register of a Service (Council context).  | Generally, implementation of recommendations should start immediately and be fully completed within three months of action plan being agreed |
| Medium risk:<br>Significant observations requiring reasonably urgent action.  | Generally, complete implementation of recommendations within six months of action plan being agreed.   |
| Low risk:<br>Minor observations which require action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management. | Generally, complete implementation of recommendations within twelve months of action   |

## Appendix 2

### **Overall Opinion Levels**

Table 1 below shows the various “Overall Opinion levels” which Internal Audit have available to use in order to form an opinion, as included within the Internal Audit Annual Report, on the overall control environment within the Park Authority for the year to 31 March 2020.

Table 1: Overall Opinion Levels

| <u>Level</u>                   | <u>Description</u>  |
|--------------------------------|---|
| Very Effective                 | Evaluated controls within the specific audit work carried out have identified only a few relatively minor or no issues. There is good assurance that risks are being managed and the organisation's key objectives are being met.       |
| Substantially Effective        | Evaluated controls have identified a generally sound system of internal control with a few specific control weaknesses. There is reasonable assurance that risks are being managed and the organisation's key objectives are being met. |
| Material Improvements Required | Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and the organisation's key objectives are being met.                                      |
| Unsatisfactory                 | Controls evaluated are not adequate, appropriate or effective. Controls evaluated cannot be used to provide reasonable assurance that risks are being managed and the organisation's key objectives are being met.                      |

### **Key Performance Indicators**

| <u>Key Performance Indicator</u>  | <u>Target</u> | <u>Actual</u> |
|---|---------------|---------------|
| Draft reports issued within 21 days of fieldwork completion                           | 100%          | 100%          |
| Management responses will be received within 14 days of the draft report being issued | 100%          | 100%          |
| Final reports issued within 14 days of agreement of draft report / action plan        | 100%          | 100%          |
| The Audit Manager or Qualified Auditor will attend all Audit Committee meetings       | 100%          | 100%          |
| Audits completed within budgeted days   | 100%          | 100%          |
| Level of full compliance with the Public Sector Internal Audit Standards (PSIAS)      | 100%          | 92.3%         |
| The Internal Audit Annual Report will be finalised by 31 <sup>st</sup> May 2019       | 100%          | 100%          |



#### Note: About this report

This Report has been prepared on the basis set out in the Memorandum of Understanding (MOU) between the National Park Authority as the Client and West Dunbartonshire Council (WDC) as the provider of Internal Audit services. Nothing in this report constitutes a valuation or legal advice. We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the MOU. This Report has been prepared for the benefit of the Client only. This Report has not been designed to be of benefit to anyone except the Client. In preparing this Report we have not taken into account the interests, needs or circumstances of anyone apart from the Client, even though we may have been aware that others might read this Report. This Report is not suitable to be relied on by any party wishing to acquire rights against WDC, other than the Client for any purpose or in any context. Any party other than the Client that obtains access to this Report or a copy (under the Freedom of Information (Scotland) Act 2002, the Environmental Information (Scotland) Regulations 2004 through the Client's Publication Scheme or otherwise) and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, WDC does not assume any responsibility and will not accept any liability in respect of this Report to any party other than the Client. In particular, and without limiting the general statement above, since we have prepared this Report for the benefit of the Client alone, this Report has not been prepared for the benefit of any other public sector body nor for any other person or organisation who might have an interest in the matters discussed in this Report, including for example those who work in the public sector or those who provide goods or services to those who operate in the public sector.