



Draft Annual Report by Audit & Risk Committee to Board of Activity in 2020/21

Agenda Item 11

National Park Authority Audit & Risk Committee

7 September 2021

Paper for decision

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1. Purpose

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. The report should cover the Committee’s activities and the reports presented to the Committee by the Authority’s internal and external auditors.

1.2. The draft report below is provided to support the completion of the 2020/21 annual accounts in September 2021.

2. Recommendation(s)

2.1. Members are asked to approve the draft Annual Report to the Board, subject to any items raised at the September Committee.

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

3.1. 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.

It also ensures that good governance is in place to allow for the continuous improvement in our systems and processes, evidencing best value.

4. Background

- 4.1. 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, Christopher Spray, on behalf of the Audit & Risk Committee. The report summarises the conclusions from the work of the Audit & Risk Committee from December 2020 to September 2021, which supports the finalisation of the annual accounts.
- 4.2. The period of this Annual Report covers consideration of final accounts for 2020/21, together with associated reports from Grant Thornton LLP, the Authority's External Auditors for the period.
- 4.3. The Committee has continued to have oversight of the work of Audit Glasgow, the Authority's Internal Auditors, and consider reports issued by them in 2020/21.
- 4.4. The Committee met four times over the period covered by this report, including the meeting in September 2021. Meetings were held remotely with the ongoing COVID-19 restrictions and were broadcast by webcast live to the public.

5. Reporting

- 5.1. In addition to management reports from the Authority's Internal and External Auditors, the Committee considered the following items during the course of the year:
 - **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 Audit & Risk Committee reviewed the Corporate Risk Register and progress in managing risk and covered specific “deep dives” into individual risks. The COVID-19 risk register, which was presented separately in June and September 2020 was incorporated into the main Corporate Risk Register during the period to ensure all key risks were captured and monitored cohesively. The Project Risk Register was also reviewed by the Audit & Risk Committee following the dissolution of the Delivery Group during the year.
 - **Fraud Risk Assessment** – the updated Fraud Risk Assessment and Fraud Risk Register were presented to the Audit & Risk Committee. This followed a re-assessment of fraud risk by officers in light of revised working arrangements during the pandemic.
 - **Governance Statement** – the Audit & Risk Committee reviewed and approved the draft Governance Statement for 2020/21 prior to its inclusion in the annual accounts (and prior to signature by the Accountable Officer).

- **Accounting Policies** – the Committee reviewed and approved the draft accounting policies prior to inclusion in the annual accounts (and prior to signature by the Accountable Officer).
- **Policy updates** – the Committee agreed a revised process for regular review and update of policies. Policies are now risk rated, with the frequency of policy update being driven by the risk rating. The revised process and draft 5 year plan for policy review were presented and agreed. [Progress on the policy updates was provided in September 2021].
- **Best Value** – [the Committee approved the Best Value Annual Report, which demonstrates compliance with the Best Value Guidance for Accountable Officers and the Best Value Policy].
- **Register of Interests** – [the Committee considered the review of the Board and senior staff Register of Interests].

5.2. Internal Audit

The period covered by this report represents the first year of delivery of internal audit services by Audit Glasgow, part of Glasgow City Council. Audit Glasgow were awarded the tender for internal audit services from 1 April 2020 and replaced West Dunbartonshire Council as the Authority's Internal Auditor.

5.2.1. **Internal Audit reports** - The Committee reviewed the Internal Auditor's reports and recommendations for the audits carried out during 2020/21 on Assurance Mapping, Financial Governance, Fleet Management and IT General Controls. The Committee reviewed management responses to all internal audit recommendations.

5.2.2. **Monitoring of outstanding recommendations** - Audit Glasgow took responsibility for the reporting and monitoring of audit recommendations in 2020/21. This process change provides increased independence on the implementation of findings. The Committee reviewed the Internal Auditors' reports on outstanding actions.

5.2.3. **Consideration and agreement of forward internal audit activity plans** - The Committee agreed the 2021/22 annual internal audit work programme. The programme contains six areas for internal audit review during the next financial year. There was one change to the audit plan for 2020/21 (as approved by the Audit & Risk Committee in March 2020), with the planned review of risk management being deferred to 2021/22.

5.2.4. **Internal Audit Findings** - over the course of 2020/21, Audit Glasgow presented four management reports to the Committee. No unsatisfactory audit opinions were issued. The initial report was a review of the assurance activities undertaken across the Authority. The auditors found that there was "significant and appropriate assurance in place across broad areas of the National Park Authority". A summary of the findings from the three assurance reviews is detailed in Table One (below). The 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. In addition to the recommendations raised, one service improvement was also raised within the Financial Governance audit.

Table One: Summary of Internal Audit Findings

Internal Audit	Number of recommendations		
	High	Medium	Low
Financial Governance	-	1	1
Fleet Management	-	5	1
IT General Controls	-	4	1
Total	-	10	3

Key – Audit Glasgow definition of categorisation of recommendations:

High: “key controls absent, not being operated as designed or could be improved. Urgent action required”.

Medium: “less critically important controls absent, not being operated as designed or could be improved”.

Low: “lower level controls absent, not being operated as designed or could be improved”.

- 5.2.5. The Committee welcomes the fact that no high recommendations have been raised by internal audit and that no unsatisfactory audit opinions were issued. The Committee is pleased that medium and low recommendations have been identified to assist in on-going improvement of our processes and controls.
- 5.2.6. 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.
- 5.2.7. The Committee welcomes the value added by the audits provided by Audit Glasgow, which have highlighted medium and low priority recommendations for improvement in systems and controls. Internal audits have been conducted remotely during the period and the Committee recognises the efforts of the audit team and officers in completing the audits, especially in light of the challenges presented by COVID-19. The internal audit recommendations assist the Authority with the Best Value and continuous improvement agenda.
- 5.2.8. The Committee considered the **Internal Auditors' Annual Report** for 2020/21. The internal auditor's annual report for the year concluded that the Authority “has a system of internal control designed to manage risk to a

reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness". Based on the audit work undertaken and the assurances provided by the Executive Team, in the opinion of the Internal Auditors "reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2020/21 within the Authority".

5.3. External Audit

This was the fifth year of a five year appointment for the external auditors Grant Thornton LLP. Following the COVID-19 pandemic, the Auditor General for Scotland and the Audit Commission for Scotland extended the current audit appointments by one year through to the audit of the 2021/22 year.

5.3.1. The Audit and Risk Committee considered the **Final External Audit Report** in relation to the 2019/20 annual accounts.

5.3.2. The Committee reviewed the **External Audit Plan** for 2020/21.

5.3.3. [The **draft Annual Accounts** for 2020/21 were reviewed and recommended for approval at the September Board, with signature thereafter. The draft accounts include an unqualified external auditor's report and opinion from Grant Thornton LLP].

5.3.4. The Annual Report and Accounts will be submitted to Scottish Government for laying in Parliament in Autumn 2021.

5.3.5. [The Audit & Risk Committee reviewed **Grant Thornton LLP's draft Annual Report** on the 2020/21 audit].

5.3.6. [The **draft Letter of Representation** from the Accountable Officer to the External Auditors was considered by the Audit & Risk Committee].

6. Report Conclusion

6.1. 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.

6.2. [The Committee welcomes the success in finalising the annual accounts and completing the external audit process this year, especially in light of the ongoing challenges presented by the impact of COVID-19 over the period. The Committee recognised that the process has been effective and that the lessons learned from last year around remote auditing were incorporated into the audit planning and delivery. The Committee would like to take this opportunity to register its thanks to both the Authority Finance team and the Grant Thornton team].

6.3. 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.

- 6.4. The internal auditors' findings that reasonable assurance can be placed on the adequacy and effectiveness of the governance and control environment and the external auditors' unqualified audit report, provide assurance to the Committee and Board that the Authority's internal control and governance objectives are being met effectively by management.
- 6.5. It is reassuring to see that there are no high priority recommendations and that the audits continue 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.
- 6.6. The Committee will continue to address key issues of internal control and the development of appropriate processes within the Authority.
- 6.7. 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 and Project Risk Registers, key policies, and a review of the Authority's progress against the Best Value policy.

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