



Loch Lomond and the Trossachs National Park Authority

Audit & Risk Committee

Report by Chief Internal Auditor

Contact: Duncan Black

Internal Audit Annual Audit Report 2020/21

Purpose of Report

The attached Annual Audit Report provides members of the Loch Lomond and the Trossachs National Park Authority Audit and Risk Committee with an overview of the work of Internal Audit for the year ended 31 March 2021.

Recommendation

Members are asked to note the content of the report.

1. Introduction

1.1 The objective of this report is to provide a review of the performance of Internal Audit for the year 2020/21 and to give an opinion on the adequacy of the Loch Lomond and the Trossachs National Park Authority system of internal control.

1.2 Internal Audit is an independent appraisal function, and its objectives as detailed in the Audit Charter are to:

- examine and evaluate internal control systems and governance arrangements within Loch Lomond and the Trossachs National Park Authority;
- give assurances to the members of the Audit and Risk Committee, the Board and management on the adequacy and robustness of these systems; and
- assist members of the Audit and Risk Committee, the Board and management in the effective discharge of their responsibilities.

The full Audit Charter is included at Appendix 1.

1.3 The work of Internal Audit is based on an annual audit plan which is prepared after a risk assessment of all potential audit issues identified by Internal Audit, the senior management team, members of the Audit and Risk Committee and takes account of the work of the external auditor, Grant Thornton.

1.4 Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions. In particular Internal Audit is required to comply with the Public Sector Internal Audit Standards (PSIAS) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.5 The PSIAS include key principles that public sector Internal Audit functions must follow and cover a range of areas including governance, performance standards and reporting requirements. As part of the standards, Internal Audit is required to undertake annual self-assessments. The PSIAS also introduced a requirement for an external assessment of an organisation's Internal Audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The 2020/21 self-assessment and the latest external assessment, undertaken in 2020/21 by Birmingham City Council, have confirmed that Internal Audit conforms with the requirements of the PSIAS. A copy of the report can be viewed at - <https://www.glasgow.gov.uk/councillorsandcommittees/viewDoc.asp?c=P62AFQDNDX810GZ32U>. The next external assessment is not due to take until 2025/26.

The Role of the Chief Internal Auditor

- 1.6 The CIPFA guidance in relation to “The Role of the Head of Internal Audit in Public Service Organisations” is intended to provide best practice for Heads of Internal Audit to achieve.
- 1.7 The role of the Chief Internal Auditor to Loch Lomond and the Trossachs National Park Authority meets the principles set out in CIPFA’s statement.

Resourcing

- 1.8 The Chief Internal Auditor reviewed the current number of staff within Internal Audit and the skills of the team and has concluded that it is adequately resourced and has the necessary skills to carry out its function. Summary information is provided in Table 1 for the Internal Audit team as a whole, from which resources can be called to complete the audit plan.

Table 1. Audit Team – Establishment (as at 31st March 2021)

		2019/20	2020/21
1	Number of CCAB Qualified staff (FTE*)	17.09	18.35
2	Number of staff with a recognised Fraud Qualification (FTE)	6.81	7
3	Number of Trainees (FTE)	5	4
4	Training Days (incl professional qualification)	157	138
5	Training Days per Staff Member	5.4	4.9
6	Sickness absence per staff member (annual target 5 days)	2.6	11.6

* Full Time Equivalent

The sickness absence target has not been met for 2020/21, primarily due to a long term absence, who has now returned. All absences continue to be managed in line with our Attendance Management Policy, and it is expected that this measure will return to within target over the next year.

Performance

1.9 Table 2. 2020/21 Internal Audit Annual Service Plan and Improvement Report (ASPIR) targets

	ASPIR target	2020/21
1	Complete all required fieldwork to prepare the Annual Opinion	Complete
2	Maintain British Standards Institute ISO 9001:2015 accreditation	Compliant
3	Internal and External quality assessments against Public Sector Internal Audit Standards	Compliant
4	Average survey score from the Park Authority (out of 4)	3.0

Audit plan management – Planned Assurance Work

1.10 During 2020/21 we have undertaken three assurance reviews as part of the programme of work agreed by the Audit and Risk Committee. In addition an assurance mapping exercise was undertaken as part of the audit plan, which was considered by the Audit and Risk Committee and will be used going forward as part of the audit planning process. In total 30 days were spent undertaking this work. The three assurance reviews completed as part of the 2020/21 plan covered:

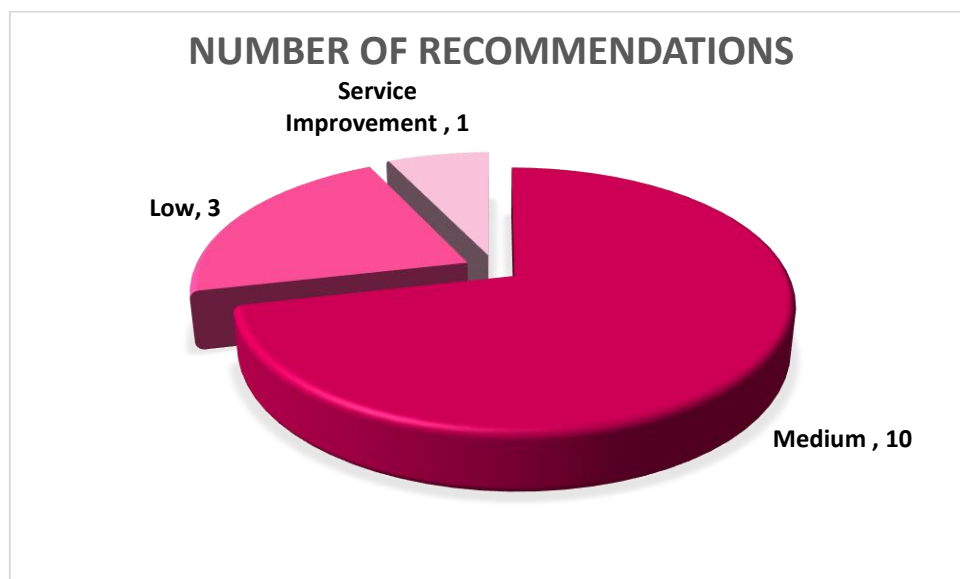
- Financial Governance – to gain assurance that there are adequate arrangements in place for financial governance. This included a review of procedures and processes, the budget setting process, the budget monitoring process and the arrangements for reporting to management and the Board.
- IT General Controls – reviewing the ICT strategy and governance, asset management controls, security control framework and disaster recovery arrangements to confirm that they are adequate.
- Fleet Management – to gain assurance that there are appropriate controls in place to manage the fleet of vehicles used, including the recent switch to some electric and hybrid vehicles within the fleet.

2. 2020/21 Audit Workplan

- 2.1 There was one change to the audit plan as approved by the Audit and Risk Committee at its meeting in March 2020. The planned review of risk management was deferred to 2021/22. The results of all assurance audits undertaken are reported to the Audit and Risk Committee and Internal Audit will undertake follow up work during 2021/22 to confirm implementation of the agreed recommendations. Committee will be provided with regular updates on this work.
- 2.2 The COVID-19 pandemic resulted in changes to business processes and some key controls. We are continuing to monitor these and will update the audit plan as required after re-assessing the risk profiles. The Audit and Risk Committee will be provided with updates on any proposed changes to the plan.
- 2.3 During the year, Internal Audit altered the follow up process for previously agreed recommendations. From December 2020, all follow up work has been undertaken by Internal Audit with evidence sought to confirm implementation and reports prepared by Internal Audit and presented to the Audit and Risk Committee.

3. 2020/21 Audit issues

- 3.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported here. In 2020/21 there were no unsatisfactory audit opinions issued.
- 3.2 As part of our work we made 14 recommendations/opportunities for improvement. The recommendations were categorised as follows:



4. Opinion

- 4.1 Loch Lomond and the Trossachs National Park 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.
- 4.2 As part of our reviews we have identified improvements to the internal control environment, which have been accepted by management. We will monitor the implementation of these improvements through future follow up audits.
- 4.3 Based on the audit work undertaken and the assurances provided by the Executive Team it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2020/21 within Loch Lomond and the Trossachs National Park Authority.

Duncan Black
Chief Internal Auditor
Audit Glasgow

September 2021



Internal Audit Charter (June 2021)

Introduction

The Internal Audit Charter formally defines the purpose, authority and responsibility of Internal Audit, in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by the Relevant Internal Audit Standard Setters.

Internal Audit is led by the Head of Audit and Inspection and reports directly to the Executive Director of Finance with open access to the Chief Executive.

The Internal Audit Charter will be reviewed and reported to Senior Management and Committee as appropriate.

Definitions

The PSIAS include specific definitions that have been interpreted as:

Chief Audit Executive – the Head of Audit and Inspection

Board – the appropriate Council Committee with responsibility for audit matters

Senior Management – Council senior officers

Purpose

Internal Audit is defined within the PSIAS as an independent, objective assurance and consulting activity designed to add value and improve an organisations 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

Internal Audit Mission

The mission of Internal Audit is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

The purpose and mission of Internal Audit are achieved through the delivery of the Internal Audit plan which informs the Head of Audit and Inspection's annual opinion on the adequacy of the Council's system of internal control including the arrangements in subsidiary bodies that are incorporated into the Council's group. This annual opinion is provided to the Chief Executive, senior Council officers and Elected Members. It is management's responsibility to implement and maintain effective internal control systems within its area of responsibility. It is

Internal Audit's role to assist management by reviewing and evaluating the effectiveness of those control systems.

Role of the Head of Audit and Inspection

The CIPFA guidance in relation to "The Role of the Head of Internal Audit in Public Service Organisations" is intended to provide best practice for Chief Audit Executives to achieve, and for Boards to measure Internal Audit against. The statement sets out an overarching principles-based framework which applies across the UK public sector. It states that the Chief Audit Executive plays a critical role in delivering an organisation's strategic objectives by:

- championing best practice in governance and management, objectively assessing the adequacy of the management of existing risks, and commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control.

Authority

Internal Audit's authority is derived from policies, procedures, rules and regulations established by the Council. These include, but are not limited to, the Financial Regulations, the Whistleblowing and Response Policy and the Code of Conduct.

Internal Audit:

- Has unrestricted access to all Council records, cash, property, assets and people, where necessary on demand and without prior notice;
- Can obtain information and explanations as it considers necessary to satisfy the probity of any matter under consideration;
- Can require the production of any records and other such property as is deemed necessary, and
- Requires all senior officers to report all actual or perceived losses (cash, stock, equipment or data), all suspected or actual instances of theft, embezzlement, fraud, corruption or any other impropriety.

Scope

The scope of Internal Audit's work includes:

- All Council systems, processes, policies, plans and procedures;
- Use and safeguarding of resources and assets, including data;
- Governance and risk management processes;
- Commissioning and procurement;
- Projects and programmes;
- Whistleblowing and Fraud, including investigation of allegations of fraud and corruption;
- All subsidiary and associate organisations that form part of the Council group;
- Strathclyde Pension Fund;
- Glasgow City Integration Joint Board;
- Glasgow City Region Cabinet, and

- Other section 106 bodies.

Resourcing and Audit Planning

In line with PSIAS requirements Internal Audit develops a risk based audit plan which enables the Head of Audit and Inspection to provide an annual opinion on the adequacy of the Council's system of internal control. The plan is developed through an assessment of risk and assurance needs and is sufficiently flexible to reflect changing organisational risks and priorities. It is submitted to the appropriate Council Committee with responsibility for audit.

The annual audit plan sets out the planned audit resources for the year with the objective of giving an evidence-based opinion. It is the Head of Audit and Inspection's responsibility to ensure that Internal Audit is adequately resourced in order to carry out its function.

Independence and Objectivity

The PSIAS define independence as "freedom from conditions that threaten the ability of the Internal Audit activity to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of the Council, the Head of Audit and Inspection holds a sufficiently senior position in the Council. Senior Officers and those charged with governance have input into the annual audit plan however they do not direct the plan.

Auditors challenge, on the basis of objective evidence, decisions, policies or practices they consider inappropriate or in need of improvement, no matter who is involved in the decision making. It is essential for Council officers and Elected Members to recognise Internal Audit's role and responsibilities and accept Internal Audit comment and advice in this spirit, giving a reasoned response if they take a different view.

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activities or processes audited. They make a balanced assessment of relevant circumstances and are not unduly influenced in forming judgements by their own interests or others.

Objectivity and independence in the provision of advice and guidance are maintained, and conflicts of interest avoided. Internal Audit has no operational responsibility for, or authority over, activities audited and all officers undertaking audit work are required to complete declarations of interest annually, including "nil" returns. Where Internal Audit officers are deemed to have operational involvement, they must remove themselves from any related Internal Audit activity.

Other Work

Internal Audit will consider all requests for additional work, outwith the audit plan, on agreement with relevant senior officers. This includes attendance at working groups and offering advice and guidance.

In addition Internal Audit will seek opportunities to share expertise with other public sector organisations, where resources permit and where there is no impact on the ability to deliver the level of assurance required to enable the Head of Audit and Inspection to provide an annual opinion to the Council group.

Quality

All Internal Audit work is undertaken in compliance with the PSIAS and is subject to regular internal quality reviews, with the results of these reviews reported to a Quality Management Review Team. External quality reviews are also undertaken through a 5-yearly external quality assessment. Internal Audit is also ISO9001 quality accredited, which is reviewed annually.