



**Loch Lomond and the Trossachs National Park Authority**

**Audit & Risk Committee**

**Report by Chief Internal Auditor**

**Contact: Duncan Black**

**Internal Audit Annual Audit Report 2021/22**

**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 2022.

**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 2021/22 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 2021/22 self-assessment and the latest external assessment, undertaken in 2021 by Birmingham City Council, have confirmed that Internal Audit conforms with the requirements of the PSIAS. The next external assessment is not due to take place until 2026.

## 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 31<sup>st</sup> March 2022)**

		2020/21	2021/22
1	Number of CCAB Qualified staff (FTE*)	18.35	18.25
2	Number of staff with a recognised Fraud Qualification (FTE)	7	7
3	Number of Trainees (FTE)	4	3
4	Training Days (incl professional qualification)	138	101.5
5	Training Days per Staff Member	4.9	3.6
6	Sickness absence per staff member (annual target 5 days)	11.6	5.4

\* Full Time Equivalent

## Performance

- 1.9 **Table 2. 2021/22 Internal Audit Annual Service Plan and Improvement Report (ASPIR) targets**

	ASPIR target	2021/22
1	Complete all required fieldwork to prepare the Annual Opinion	<b>Complete</b>
2	Maintain British Standards Institute ISO 9001:2015 accreditation	<b>Compliant</b>
3	Internal and External quality assessments against Public Sector Internal Audit Standards	<b>Compliant</b>

## **Audit plan management – Planned Assurance Work**

1.10 During 2021/22 we have undertaken six assurance reviews as part of the programme of work agreed by the Audit and Risk Committee. In total 33 days were spent undertaking this work. The six assurance reviews completed as part of the 2020/21 plan covered:

- Business Continuity Planning – to provide assurance on the business continuity arrangements in place. This included ensuring that lessons learned from the response to the COVID-19 pandemic had been considered.
- Reputation Management – to provide assurance on the arrangements within the Park Authority to manage the reputation of the organisation.
- Planning Application Management – to review the procedures and controls in place for the processing of planning applications, including the use of the UNIFORM system and the Document Management System.
- Health and Safety – to gain assurance that the health and safety arrangements in place within the Park Authority are being complied with.
- GIS Application – to gain assurance that the application controls are operating as designed and are effective in preventing and detecting weaknesses, that could adversely impact on the operation of the application
- Risk Management - to gain assurance that there are adequate risk management arrangements in place within the Park Authority and that these are fit for purpose and operating as intended.

## **2. 2021/22 Audit Workplan**

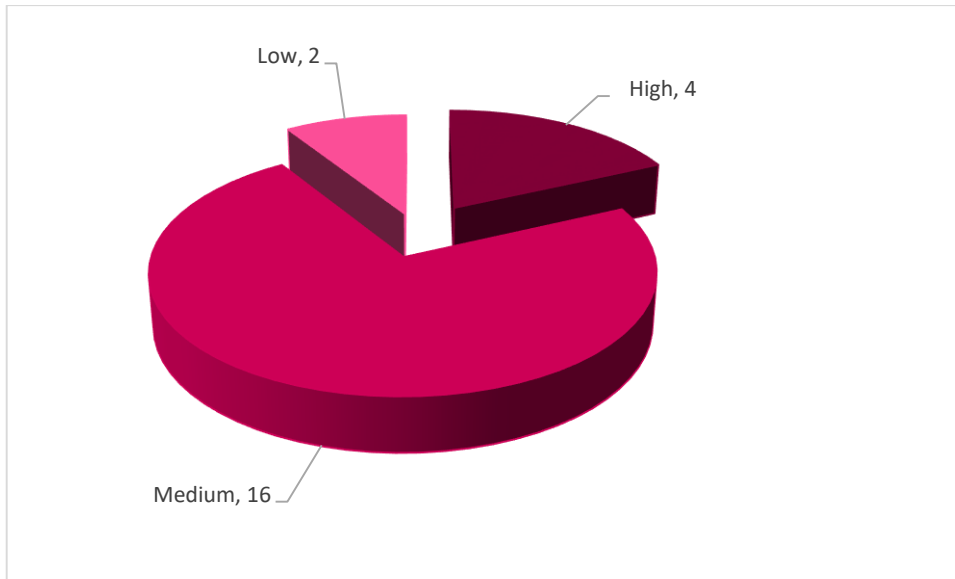
2.1 There were no changes to the audit plan as approved by the Audit and Risk Committee at its meeting in March 2021. The results of all assurance audits undertaken are reported to the Audit and Risk Committee and Internal Audit will undertake follow up work during 2022/23 to confirm implementation of the agreed recommendations. Committee will be provided with regular updates on this work.

## **3. 2021/22 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 2021/22 there were no unsatisfactory audit opinions issued.

3.2 As part of our work we made 22 recommendations/opportunities for improvement. The recommendations were categorised as follows:

### Number of Recommendations



#### 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 2021/22 within Loch Lomond and the Trossachs National Park Authority.

**Duncan Black**  
**Chief Internal Auditor**  
**Audit Glasgow**

**June 2022**



## 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 Chief Internal Auditor and reports directly to the Director of Corporate Services 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 Chief Internal Auditor

*Board* – the Audit & Risk Committee with responsibility for audit matters

*Senior Management* – 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 Chief Internal Auditor's annual opinion on the adequacy of the system of internal control. This annual opinion is provided to the Chief Executive, senior officers and the Board/Audit and Risk Committee. 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 organisation.

Internal Audit:

- Has unrestricted access to all 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 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, and
- Whistleblowing and Fraud, including investigation of allegations of fraud and corruption.

## **Resourcing and Audit Planning**

In line with PSIAS requirements Internal Audit develops a risk based audit plan which enables the Chief Internal Auditor to provide an annual opinion on the adequacy of the organisation'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 Audit and Risk Committee.

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 Chief Internal Auditor'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, the Chief Internal Auditor is external to the organisation and holds a sufficiently senior position. 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 senior officers and Board/Audit and Risk Committee 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 Chief Internal Auditor to provide an annual opinion.

### **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.