



Loch Lomond and the Trossachs National Park Authority

Audit & Risk Committee

Report by Chief Internal Auditor

Contact: Duncan Black

Internal Audit Annual Audit Report 2022/23

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 2023.

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 2022/23 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, previously Grant Thornton and now Mazars.

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 2022/23 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 31st March

| | | 2021/22 | 2022/23 |
|---|---|---------|---------|
| 1 | Number of CCAB Qualified staff (FTE) | 18.25 | 16.68 |
| 2 | Number of staff with a recognised Fraud Qualification (FTE) | 7 | 5.5 |
| 3 | Number of Trainees (FTE) | 3 | 11 |
| 4 | Training Days (incl professional qualification) | 101.5 | 323.5 |
| 5 | Training Days per Staff Member | 3.6 | 9.8 |
| 6 | Sickness absence per staff member (annual target 5 days) | 5.4 | 1.8 |

* Full Time Equivalent

Performance

- 1.9 **Table 2. 2022/23 Internal Audit Annual Service Plan and Improvement Report (ASPIR) targets**

| | ASPIR target | 2022/23 |
|---|--|------------------|
| 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 |

Audit plan management – Planned Assurance Work

1.10 During 2022/23 we have undertaken five assurance reviews as part of the programme of work agreed by the Audit and Risk Committee. In total 34 days were spent undertaking this work. The five assurance reviews completed as part of the 2022/23 plan covered:

- Procurement
- Carbon Management
- Unannounced Spot check visit
- Cyber Resilience
- Payroll

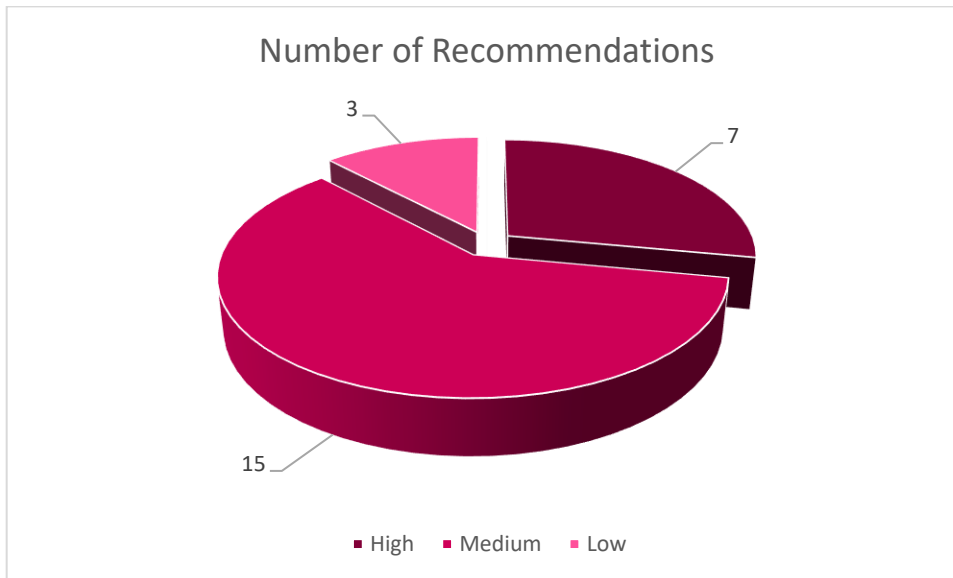
2. 2022/23 Audit Workplan

2.1 There were no changes to the audit plan as approved by the Audit and Risk Committee at its meeting in March 2022. The results of all assurance audits undertaken are reported to the Audit and Risk Committee and Internal Audit will undertake follow up work during 2023/24 to confirm implementation of the agreed recommendations. Committee will be provided with regular updates on this work.

3. 2022/23 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 2022/23 there was one unsatisfactory audit opinion issued in relation to procurement. The control environment contained three serious control deficiencies where the potential financial and reputational risk exposure was significant. Management have accepted the recommendations and all recommendations are expected to be completed by 31 March 2024.

3.2 As part of our work we made 25 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, but excluding the issues noted above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2022/23 within Loch Lomond and the Trossachs National Park Authority.

Duncan Black
Chief Internal Auditor
Audit Glasgow

June 2023



Internal Audit Charter

(May 2023)

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 & 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.