



Draft Audit and Risk Committee Annual Report to Board Agenda Item 10

National Park Authority Audit and Risk Committee

Tuesday 5th September 2023

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 2022/23 annual accounts in September 2023.

2. Recommendation

- 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.
- 3.2. 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, David Mackie, on behalf of the Audit & Risk Committee. The report summarises the conclusions from the work of the Audit & Risk Committee from September 2022 to September 2023, which supports the finalisation of the annual accounts.
- 4.2. The period of this Annual Report covers consideration of final accounts for 2022/23, together with associated reports from Mazars 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 2022/23.
- 4.4. The Committee met four times over the period covered by this report, including the meeting in September 2023. All were live streamed to enable wide public access, and the public were able to attend the three in person meetings.

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 year:
 - 5.1.1. **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 Project Risk Register was also reviewed by the Audit & Risk Committee.
 - 5.1.2. **Risk Management Framework** – prior to the Board approving the Risk Management Framework, the Committee were asked to review and support the approval of the document for use within the organisation.
 - 5.1.3. **Governance Statement** – the Audit & Risk Committee reviewed and approved the draft Governance Statement for 2022/23 prior to its inclusion in the annual accounts (and prior to signature by the Accountable Officer).

- 5.1.4. **Policy updates** – as per the process for regular review and update of policies, the Committee considered the plan for the 2023/24, as well as the 5-year Corporate Policy Review plan, and were provided with updates on progress for 2022/23.
- 5.1.5. **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.
- 5.1.6. **Statements of Assurance** - the Committee reviewed the annual Statements of Assurance that are prepared by individual members of the Executive team as part of the annual assurance process.
- 5.1.7. **Register of Interests** - [the Committee considered the review of the Board and senior staff Register of Interests].

5.2. Internal Audit

- 5.2.1. The period covered by this report represents the third 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.
- 5.2.2. **Internal Audit reports** - The Committee reviewed the Internal Auditor's reports and recommendations for the audits carried out during 2022/23 on Reputational Management, Cyber Resilience, Payroll, Carbon Management and Procurement. The Committee reviewed management responses to all internal audit recommendations.
- 5.2.3. **Monitoring of outstanding recommendations** - Audit Glasgow remained responsible for the reporting and monitoring of audit recommendations in 2022/23. The Committee reviewed the Internal Auditors' reports on outstanding actions.
- 5.2.4. **Consideration and agreement of forward internal audit activity plans** - The Committee agreed the 2023/24 annual internal audit work programme. The programme contains five areas for internal audit review during the next financial year. The Audit Universe was also shared with the Committee, which outlines the key areas covered by Audit Glasgow to date and the planned internal audit activity for 2024/25 and future years.
- 5.2.5. **Internal Audit Findings** - over the course of 2022/23, Audit Glasgow presented five management reports to the Committee. Four 'satisfactory' audit opinions were issued, and one 'unsatisfactory' audit opinion was issued - relating to Procurement. A summary of the findings from the five 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.

Table One: Summary of Internal Audit Findings

Internal Audit	Number of recommendations		
	High	Medium	Low
Reputational Management	-	2	-
Cyber Resilience	-	3	2
Payroll	2	1	-
Carbon Management	-	2	1
Procurement	2	4	-
Total	4	12	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”.

5.2.6. The Committee is pleased that high, medium and low recommendations have been identified to assist in on-going improvement of our processes and controls.

5.2.7. 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.

5.2.8. The Committee welcomes the value added by the audits provided by Audit Glasgow, which have highlighted high, medium and low priority recommendations for improvement in systems and controls. The Committee recognises the efforts of the audit team and officers in completing the audits. The internal audit recommendations assist the Authority with the Best Value and continuous improvement agenda.

5.2.9. The Committee considered the **Internal Auditors’ Annual Report** for 2022/23. 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 2022/23 within Loch Lomond and The Trossachs National Park Authority”.

5.3. External Audit

This was the first year of appointment for the external auditors Mazars LLP.

5.3.1. [The Audit and Risk Committee considered the **Final External Audit Report** in relation to the 2022/23 annual accounts.]

5.3.2. The Committee reviewed the External Audit Plan for 2022/23.

5.3.3. The draft Annual Accounts for 2022/23 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 Mazars LLP.

5.3.4. The Annual Report and Accounts will be submitted to Scottish Government for laying in Parliament in Autumn 2023.

5.3.5. [The Audit & Risk Committee reviewed Mazars LLP’s draft Annual Report on the 2022/23 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. The Committee recognised that the process has been effective. The Committee would like to take this opportunity to register its thanks to both the Authority Finance team and the Mazars LLP team.

6.3. There has been positive engagement through the period with issues identified by the Authority’s internal and external auditors, and by the Authority’s officers.

6.4. The Committee has received full reports on issues raised; considered recommendations made; and approved responses and actions.

6.5. The Committee considers that it has successfully discharged its important delegated role in relation to Risk Management, in particular through the approval of an inaugural Risk Management Framework and ongoing scrutiny of Corporate, strategic risks including in-depth deep-dives in significant areas of activity.

6.6. 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.

- 6.7. It is reassuring to see 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 several recommendations for improvement from internal audit will be expected, the Committee welcomed the evidence of generally effective control systems evidenced by the reports.
- 6.8. The Committee will continue to address key issues of internal control and the development of appropriate processes within the Authority.
- 6.9. 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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