

YORKSHIRE DALES NATIONAL PARK AUTHORITY  
AUDIT AND REVIEW COMMITTEE

15<sup>th</sup> September 2006

**INTERNAL AUDIT REPORTS**

**Purpose of report**

To present Members with the most recent reports from the Internal Audit Service.

**Strategic Planning Framework**

The information contained in this report is consistent with the Authority's approved and adopted strategic planning framework:

- ***Existing policies and strategies***  
"each NPA is required to maintain an adequate and effective internal audit..."  
(Financial Regulations, paragraph 17.1 (iv))  
"The Internal Auditor shall determine the scope of any internal enquiries or investigations" (Financial Regulations, paragraph 17.6)

**Internal Audit Reports: Summary**

Since the papers were prepared for the last meeting of the Audit & Review Committee (16<sup>th</sup> June 2006), five Internal Audit reviews has been completed by the Internal Audit Service (for which the Authority contracts with North Yorkshire County Council).

The reports for these audits are attached as an **appendix**. There are a few areas where, in the Internal Auditor's professional opinion, controls are 'satisfactory' (as opposed to 'good'). However, in this context Members should be aware that:

- the Internal Auditor only offers three 'grades' of opinion when judging the adequacy of control systems: good, satisfactory and weak, and that
- with the halving of the materiality limit at which process are selected for audit, many areas which had previously been too small to warrant audit attention are now being subject to regular review for the first time. Whereas the main systems have been audited year-on-year (and have accordingly had their controls tightened over time), there are likely to be some areas where the Auditor identifies that additional work is needed.

Nonetheless, the overall conclusion is that controls are good, with a few areas offering room for improvement.

The audit opinions on the five areas that were audited are summarised in the table below.

| <b>Audit subject</b>   | <b>Opinion on controls</b>  | <b>Comment</b>   |
|--|---|--|
| Car Park Income, Planning Fees, Visitor Centre Income and Sundry Debtors | <ul style="list-style-type: none"> <li>• Good (main areas)</li> <li>• Satisfactory (Planning Fees)</li> </ul> | The Planning Fees collection process was improved by speeding up internal transfer of remittances, and by making sure cash collection contractor makes more regular visits to the office.  |
| Human Resources  | <ul style="list-style-type: none"> <li>• Good</li> </ul>  |  |
| Capital Accounting, Asset Registers, Treasury Management and IT Controls | <ul style="list-style-type: none"> <li>• Good (overall)</li> <li>• Satisfactory (IT controls)</li> </ul>      | The main concern was on-site storage of back-up tapes, immediately moved off-site.   |
| Creditors and Purchasing   | <ul style="list-style-type: none"> <li>• Good</li> </ul>  |  |
| Contracting Arrangements   | <ul style="list-style-type: none"> <li>• Satisfactory</li> </ul>  | 20% of the auditor's sample (albeit only one item, a helicopter airlift) was not supported by the documentation required by Financial Regulations. Although this particular item related to an urgent issue, the finding is accepted, and appropriate action has been taken. |

## **RECOMMENDATION**

Members are asked to note this report and the appended Internal Audit reports.

RICHARD BURNETT  
HEAD OF FINANCE & RESOURCES

5<sup>th</sup> September 2006

## YORKSHIRE DALES NATIONAL PARK AUTHORITY

## INTERNAL AUDIT SERVICE

## INTERNAL AUDIT REPORT

|                   |   |
|-------------------|---|
| <b>REPORT ON:</b> | <b>CAR PARK INCOME, PLANNING FEES, VISITOR CENTRE INCOME AND SUNDRY DEBTORS</b>         |
| <b>SENT TO:</b>   | <b>AUDIT AND REVIEW COMMITTEE<br/>CHIEF EXECUTIVE<br/>HEAD OF FINANCE AND RESOURCES</b> |
| <b>cc</b>         | <b>TREASURER TO THE AUTHORITY</b>   |

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Internal Audit Service  
Central Finance Business Unit  
County Hall  
Northallerton

11<sup>th</sup> June 2006

## 1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards by the Audit Commission, the Internal Audit Service has been required to document all fundamental systems of the Yorkshire Dales National Park Authority. A fundamental system is defined as one in which transactions exceeding £130,000 or more were processed in a financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 Four of the fundamental systems identified relate to the collection and processing of income and the results of the testing carried out is detailed in this report. The systems are:
- Car park income
  - Planning Fees
  - Visitor Centre income
  - Sundry Debtors accounts
- 1.3 The audit work was undertaken in early June 2006.
- 1.4 This report was issued on 11<sup>th</sup> June 2006.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

**2.0 FINDINGS**

|      | <b>Summary Findings</b>   | <b><u>Risk</u></b>  |
|------|---|---|
|      | <p><b>Car Park Income</b></p>   |   |
| 2.01 | Car park income is collected by the Authority's cash collection contractor and returns detailing cash collected compared to the audit records maintained by the machines are returned to Finance. Income is banked by the contractor promptly and reconciled to the main accounting system through the bank reconciliation process.   |   |
| 2.02 | Appropriate contingency arrangements are in place for those occasions when car park machines are out of order and compliance with the charging policy is reviewed on a regular basis. Where tickets have not been purchased the car owner is requested to pay the full day's charge to either the information centre or the National Park office and this. The Park has no enforcement powers but payments are frequently received.   |   |
| 2.03 | Income received in respect of car parks is regularly monitored and the 2005-06 outturn was in line with the budget.   |   |
|      | <p><b>Planning Fees</b></p>   |   |
| 2.04 | Satisfactory arrangements are in place for ensuring that the correct charges are made for planning applications and for the income to be recorded in the main accounting system.  |   |
| 2.05 | Income is received in the Planning Section and passed to Finance on a weekly basis along with a handwritten schedule. Cheques could then await collection by the cash collection contractor for up to three weeks before being banked. As a result if the cheque received was not honoured - which has happened on a number of occasions in respect of planning applications - the application could be processed before the Authority was aware that it had not been paid for. | Inappropriate amounts of cash and cheques may be held locally and cash flow may be adversely affected. Payment may not be received for applications made. |
| 2.06 | The weekly schedule of amounts received is handwritten by the Planning Section and then sent  | Inappropriate use of staff time in entering data twice.   |

|      | Summary Findings   | Risk  |
|------|--|---|
|      | to Finance for keying into a journal for loading into the Main Accounting System.  |   |
|      | <b>Visitor Centre Income</b>   |   |
| 2.07 | Satisfactory arrangements are in place for ensuring that correct charges are levied for goods sold at visitor centres. Income is collected by the Authority's cash collection contractor and banked promptly.  |   |
| 2.08 | A weekly return of income received is completed and sent to Finance for input to the main accounting system. However, this is in the form of a printed version of a spreadsheet that could be supplied electronically.   | Inappropriate use of staff time in entering data twice. |
|      | <b>Sundry debtors accounts</b>   |   |
| 2.09 | A sample of debtors accounts was reviewed and all except one were found to have been raised in accordance with the instructions of the requisitioning officer. The exception related to an invoice that was raised for £0 in error. This has been corrected.   |   |
| 2.10 | Satisfactory arrangements are in place for following up unpaid accounts. An aged debtors report is produced every month and invoices over 30 days old are subject to a reminder letter. If they are not paid by the time of the next review they are referred to Legal and a demand for payment within 7 days is issued. |   |

### 3.0 CONCLUSIONS

3.1 The overall audit opinion of the controls evaluated is that retail, car park and sundry income is **good**, and that planning income is **satisfactory** because of the delays in banking income received.

## 4.0 RECOMMENDATIONS

| Recommendation |   | Ranking   | See Para | Management Response   | To be actioned by:    |                    |
|----------------|---|-----------|----------|---|-----------------------|--------------------|
|                |   |           |          |   | Name                  | Date               |
| 4.1            | The Planning Section complete a daily schedule of fees received and pass the remittances to Finance each day.   | Essential | 2.05     | Planning Technicians will ensure that this is done on a daily basis.  | <b>Tracey Lambert</b> | <b>June 2006</b>   |
| 4.2            | Consideration be given to the Planning Section producing the schedule of fees received electronically so that it can be automatically loaded into the Main Accounting System as a journal.                        | Useful    | 2.05     | System to be developed and implemented.   | <b>Irene Brannon</b>  | <b>July 2006</b>   |
| 4.3            | The Cash Collection contractor be required to collect income from Yoredale on a weekly basis, as provided for in the contract for income collection.  | Essential | 2.06     | The cash collection contractor has been instructed to ensure that collections are made weekly from Yoredale as per the contract | <b>Joyce Whitley</b>  | <b>08/06/06</b>    |
| 4.4            | Consideration be given to making the return from Visitor Centres to Finance of weekly sales income received electronic in order that it may be automatically loaded into the main accounting system as a journal. | Useful    | 2.08     | System to be developed and implemented  | <b>Irene Brannon</b>  | <b>August 2006</b> |



**YORKSHIRE DALES NATIONAL PARK AUTHORITY**

**INTERNAL AUDIT SERVICE**

**INTERNAL AUDIT REPORT**

|                   |   |
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| <b>REPORT ON:</b> | <b>HUMAN RESOURCES</b>  |
| <b>SENT TO:</b>   | <b>AUDIT AND REVIEW COMMITTEE<br/>CHIEF EXECUTIVE<br/>HEAD OF FINANCE AND RESOURCES</b> |
| <b>Cc</b>         | <b>TREASURER TO THE AUTHORITY</b>   |

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Internal Audit Service  
Central Finance Business Unit  
County Hall  
Northallerton

15<sup>th</sup> June 2006

## 1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards by the Audit Commission, the Internal Audit Service has been required to document all fundamental systems of the Yorkshire Dales National Park Authority. A fundamental system is defined as one in which transactions exceeding £130,000 or more were processed in a financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 One of the fundamental systems identified relates to the appointment and payment of members of staff.
- 1.3 The audit work was undertaken during early June 2006.
- 1.4 This report was issued on 15<sup>th</sup> June 2006.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

**2.0 FINDINGS**

|      | <b>Summary Findings</b>  | <b><u>Risk</u></b>                                  |
|------|--|---|
| 2.01 | The contract with the County Council for payroll services ensures that there is a segregation of duties between those officers who authorise transactions and those who input them to the payroll system.  |   |
| 2.02 | A sample of 20 timesheets was reviewed to ensure that all had been appropriately authorised. One exception was found where an unauthorised timesheet had been processed.   | Payments may be made without appropriate authority. |
| 2.03 | Payroll transactions are reconciled to the Authority's bank account on a regular basis, and transactions are updated on the Sun accounting ledger in a timely fashion.   |   |
| 2.04 | Controls over the transmission of payroll data to BACS for the payment of staff are appropriate.   |   |
| 2.05 | Satisfactory arrangements are in place for the monitoring of payroll expenditure against budgets through the normal budgetary control procedures.  |   |
| 2.06 | A sample of personal files for ten recent appointments was reviewed to ensure that the files contained evidence of <ul style="list-style-type: none"> <li>• the individual's right to work in the UK under the Immigration &amp; Asylum Act;</li> <li>• their holding qualifications that are considered to be essential for the post;</li> <li>• their medical clearance;</li> <li>• two references being held on file, one of which was from their previous employer;</li> <li>• their having been CRB cleared, where appropriate.</li> </ul> <p>The only exceptions were</p> <ul style="list-style-type: none"> <li>• one file did not contain a copy of the individual's driving licence when it was an essential requirement of the post;</li> <li>• the absence of evidence that an officer held a university diploma in town planning (an essential qualification for their post).</li> </ul> |   |
|      |  |   |

### 3.0 CONCLUSIONS

3.1 The overall audit opinion of the controls evaluated is that they are good.

## 4.0 RECOMMENDATIONS

| Recommendation |   | <u>Ranking</u> | <u>See Para</u> | Management Response   | To be actioned by:  |                        |
|----------------|---|----------------|-----------------|---|---|------------------------|
|                |   |                |                 |   | Name  | Date                   |
| 4.1            | Checks be made to ensure that all timesheets are authorised before being processed. | Essential      | 2.02            | The particular time sheet contained 'nil' extra hours (and was just recording 'contract' hours), so would not have generated a financial error. We will review the system and implement necessary changes, in conjunction with the line manager responsible for authorising these timesheets. | <b>Chris Pratt<br/>/<br/>/Caszandra Peterson<br/>/ Ann Williams</b> | <b>August<br/>2006</b> |

| Recommendation |  | <u>Ranking</u> | <u>See Para</u> | Management Response   | To be actioned by:  |                  |
|----------------|--|----------------|-----------------|---|---|------------------|
|                |  |                |                 |   | Name  | Date             |
| 4.2            | Each personnel file should contain copies of the job description and person specification detailing the essential qualifications for the post. Each file should also contain proof that the employee holds essential qualifications. | Important      | 2.06            | <p>1. Copy of driving licence missing from the file: the Personnel Officer responsible for ensuring the drivers' questionnaire was completed confirms that she had seen the license, but omitted to photocopy it. It is now practice to obtain fresh copies each year of all insurance documents and driving licences, so this omission would have been addressed in due course. However, the system will be tightened up.</p> <p>2. The missing 'qualification' item relates to a Planning Officer; when the latter started with the Authority, he was waiting for confirmation of his professional diploma: although he submitted his results of confirmation in due course, he hadn't got the certificate, and in the lag between the results notification and Personnel chasing him for the eventual certificate, the officer left the authority. We will ensure that any future such issues are dealt with by a tighter timetabling of the 'chasing' aspect.</p> | <b>Chris Pratt</b><br>/ <b>Casandra Peterson</b><br>/ <b>Ann Williams</b> | <b>Immediate</b> |

**YORKSHIRE DALES NATIONAL PARK AUTHORITY**

**INTERNAL AUDIT SERVICE**

**INTERNAL AUDIT REPORT**

|                   |   |
|-------------------|---|
| <b>REPORT ON:</b> | <b>CAPITAL ACCOUNTING, ASSET REGISTERS,<br/>TREASURY MANAGEMENT AND IT CONTROLS</b>     |
| <b>SENT TO:</b>   | <b>AUDIT AND REVIEW COMMITTEE<br/>CHIEF EXECUTIVE<br/>HEAD OF FINANCE AND RESOURCES</b> |
| <b>cc</b>         | <b>TREASURER TO THE AUTHORITY</b>   |

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Internal Audit Service  
Central Finance Business Unit  
County Hall  
Northallerton

16<sup>th</sup> June 2006

## 1.0

- 1.1 As a result of the adoption of International Auditing Standards by the Audit Commission, the Internal Audit Service has been required to document all fundamental systems of the Yorkshire Dales National Park Authority. A fundamental system is defined as one in which transactions exceeding £130,000 or more were processed in a financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 Three of the fundamental systems identified are those for capital accounting, asset registers and treasury management which are considered in this report. In addition, certain IT controls have also been reviewed.
- 1.3 The audit work was undertaken during early June 2006.
- 1.4 This report was issued on 16<sup>th</sup> June 2006.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

**2.0 FINDINGS**

|      | <b>Summary Findings</b>   | <b><u>Risk</u></b>   |
|------|---|--|
|      | <p><b>Treasury Management</b></p>   |  |
| 2.01 | <p>The only investments made by the Authority are the daily "sweeps" of bank balances into the accounts of North Yorkshire County Council. These are then incorporated into the County Council balances which are invested on the money market at market rates and an apportionment of interest is made quarterly to the Authority. The amounts "swept" into the County Council each day were checked to the schedule of interest received provided and found to be accurate. The average rate of interest received on balances during 2005/06 was 4.66%.</p> |  |
|      | <p><b>Capital Accounting</b></p>  |  |
| 2.02 | <p>The Authority has a policy of capitalising all relevant expenditure on fixed assets over £5000. Records are maintained of all fixed assets and these were checked to ensure that additions, disposals and relevant revaluations during the year were included. Appropriate valuation, depreciation and capital charges parameters were correctly applied.</p>  |  |
| 2.03 | <p>However, asset register data is not periodically checked against other sources, although the Authority has requested the Internal Audit Service to conduct a review of the existence of assets on a sample basis in 2006/07.</p>   | <p>Assets may be accounted for that do not physically exist.</p> |
|      | <p><b>Computing Controls</b></p>  |  |
| 2.04 | <p>The Authority's servers are backed up each night in accordance with an agreed timetable. However, on occasion these backups are left in the Autoloader. In addition, monthly backups are taken and stored in the fireproof safe at Yoredale. No backups are taken off site, but there are plans to move the fireproof safe from the old HQ to Horton in Ribblesdale and send weekly or monthly backups there regularly.</p>  | <p>Work may be lost or have to be re-performed.</p>              |
| 2.05 | <p>There are no formally documented contingency</p>   | <p>In the event of a disaster or other unforeseen</p>            |

|      | Summary Findings   | Risk   |
|------|--|--|
|      | <p>plans, but informal arrangements have been developed and the IT department is aware of them.</p> <p>In addition there are support agreements in place with Phoenix Software, for Windows and Citrix, and Lake Accounting Services, for the Sun financial system.</p> <p><b>Asset Registers</b></p>  | <p>event the Authority may not be able to function.</p>                              |
| 2.08 | <p>The Authority has policies in place for the recording of its assets and the maintenance of an inventory of equipment that is available to all members of staff on the intranet.</p>   |  |
| 2.09 | <p>Acquisitions are not recorded in the asset register when they are purchased, and the Finance Section rely on officers to submit forms to them detailing items to be added to the inventory. These forms have not always been returned promptly so a process of identifying items of an inventory nature from the Sun financial ledger has been commenced and the inventory is to be updated, following the cross-referencing of this extract to the separate records maintained by the IT department.</p> |  |
| 2.10 | <p>Satisfactory arrangements are in place for the recording of inventory items that have been disposed of.</p>   |  |
| 2.11 | <p>No stock check has been undertaken to ensure that assets recorded in the inventory physically exist.</p>  | <p>Assets may have been misappropriated but not have been identified as missing.</p> |

### 3.0 CONCLUSION

- 3.1 The overall audit opinion of the controls evaluated in each material system reviewed is that they are **good**. However, the IT controls reviewed are assessed as **satisfactory** because of the weaknesses identified.

## 4.0 RECOMMENDATIONS

| Recommendation |   | Ranking   | See Para    | Management Response  | To be actioned by:   |  |
|----------------|---|-----------|-------------|--|----------------------|--|
|                |   |           |             |  | Name                 | Date   |
| 4.1            | Reviews of the physical existence of assets be carried out on a regular basis.  | Important | 2.03 & 2.11 | A physical stock check of items recorded on the asset register will be undertaken  | <b>Irene Brannon</b> | <b>Sept</b>  |
| 4.2            | Backups be secured in the fireproof safe at Yoredale on a daily basis and the arrangements to transfer periodical backups at Horton in Ribblesdale be implemented as quickly as possible. | Important | 2.04        | Immediate action has been taken to implement this recommendation.  | <b>Steve Funnell</b> | <b>June</b>  |
| 4.3            | The Authority develop a formally documented contingency plan and communicate it to all appropriate officers.  | Important | 2.05        | This will involve a range of options, some of which will have costs attached to them (some of which costs are likely to be significant). The options (prepared by August) will need Senior Management Team agreement and – subject to any resource requirements – will also need further agreement by Members (the next relevant committee meeting is December). Any practical steps ahead of resolving the ‘resourcing’ question will be taken by August. | <b>Steve Funnell</b> | <b>August (for proposals to SMT)<br/><br/>December (if Member decision required)</b> |



**YORKSHIRE DALES NATIONAL PARK AUTHORITY**

**INTERNAL AUDIT SERVICE**

**INTERNAL AUDIT REPORT**

|                   |   |
|-------------------|---|
| <b>REPORT ON:</b> | <b>CREDITORS AND PURCHASING</b>   |
| <b>SENT TO:</b>   | <b>AUDIT AND REVIEW COMMITTEE<br/>CHIEF EXECUTIVE<br/>HEAD OF FINANCE AND RESOURCES</b> |
| <b>CC:</b>        | <b>TREASURER TO THE AUTHORITY</b>   |

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Amy Coulson  
Internal Audit Service  
Central Finance Business Unit  
County Hall  
Northallerton

5<sup>th</sup> July 2006

## 1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards by the Audit Commission, the Internal Audit Service has been required to document all fundamental systems of the Yorkshire Dales National Park Authority. A fundamental system is defined as one in which transactions exceeding £130,000 or more were processed in a financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 One of the fundamental systems identified relates to the creditors and purchasing.
- 1.3 The audit work was undertaken during May and June 2006.
- 1.4 This report was issued on 5<sup>th</sup> July 2006.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

**2.0 FINDINGS**

|      | <b>Summary Findings</b>  | <b><u>Risk</u></b> |
|------|--|--------------------|
|      | <b>Creditor Payments</b>   |                    |
| 2.01 | A sample of twenty invoices was reviewed. All had been appropriately authorised.   |                    |
| 2.02 | Payment Run Details are included at the front of every invoice file. These give details of the payments made and show evidence of the amounts being checked. No signature is on these forms. However, when the cheques are signed, each one is checked back to the invoice. The cheque log is signed to show this has been done. |                    |
| 2.03 | A sample of ten manual cheques was taken from the control sheet of manual cheques. Most of the payments reasons were 'Urgent payment required'. Two of the requisitions had not been authorised, but all had relevant supporting information attached.   |                    |
| 2.04 | All twenty invoices were checked back to the payment run, and all had been paid the correct amount. A good system of division of duties is in place because members of the Finance Section are not able to authorise invoices.   |                    |
| 2.05 | The total number of cheques issued agreed with the totals in the cheque control book. All cheque runs for the year had been signed by the person requesting, authorising and second authorising.   |                    |
| 2.06 | A sample of five payment runs was reviewed and all cheque numbers issued agreed to the SUN report. One report had not been ticked to show it had been checked, but the cheque control sheet had been signed. One payment run had not been authorised by a second person and it included payments over £2000.                     |                    |

|      |  |   |
|------|--|---|
| 2.07 | A folder for the financial year 05/06 'Purchase Ledger Cancelled Cheques' was checked for the whole year and only one cancelled cheque had not been authorised, it did have all accompanying paperwork attached. |   |
| 2.08 | Three of the twenty invoices had not been paid within 30 days, there was no explanation included on the invoice of any of these.   | Payments may be made late (and breach the Late Payment of Debts Act) or unnecessarily early for cash flow purposes. |
| 2.09 | All invoices had been correctly coded.   |   |
| 2.10 | On one invoice from the twenty it had been shown that VAT had been broken down to a different cost centre. SUN system automatically codes the VAT to the correct account.  |   |
| 2.11 | All VAT returns for 2005/06 had been correctly made.   |   |

### 3.0 **OPINION**

3.1 The overall opinion of the systems in place is that they are **good**.

**4.0 RECOMMENDATIONS**

| <b>Recommendation</b> |  | <b><u>Ranking</u></b> | <b>See Para</b> | <b>Management Response</b>   | <b>To be actioned by:</b> |                    |
|-----------------------|--|-----------------------|-----------------|--|---------------------------|--------------------|
|                       |  |                       |                 |  | <b>Name</b>               | <b>Date</b>        |
| 4.1                   | Payments be made in line with the Late Payment of Debts Act. | Essential             | 2.08            | Staff are to be reminded of the requirement for payment of invoices within 30 days and the procedures for annotating invoices if in dispute. | <b>Irene Brannon</b>      | <b>August 2006</b> |



**YORKSHIRE DALES NATIONAL PARK AUTHORITY**

**INTERNAL AUDIT SERVICE**

**INTERNAL AUDIT REPORT**

|                   |   |
|-------------------|---|
| <b>REPORT ON:</b> | <b>CONTRACTING ARRANGEMENTS</b>   |
| <b>SENT TO:</b>   | <b>AUDIT AND REVIEW COMMITTEE<br/>CHIEF EXECUTIVE<br/>HEAD OF FINANCE AND RESOURCES</b> |
| <b>cc</b>         | <b>TREASURER TO THE AUTHORITY</b>   |

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Internal Audit Service  
Central Finance Business Unit  
County Hall  
Northallerton

1<sup>st</sup> August 2006

## 1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards by the Audit Commission, the Internal Audit Service has been required to document all fundamental systems of the Yorkshire Dales National Park Authority. A fundamental system is defined as one in which transactions exceeding £130,000 were processed or more in a financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 One of the fundamental systems identified relates to the contracting arrangements.
- 1.3 The audit work was undertaken during May and June 2006.
- 1.4 This report was issued on 1<sup>st</sup> August 2006.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

**2.0 FINDINGS**

|      | <b>Summary Findings</b>   | <b><u>Risk</u></b>  |
|------|---|---|
| 2.01 | <p><b>Contract Procedure Rules</b></p> <p>The Authority has good arrangements in place for ensuring that Best Value is obtained. In particular, Financial Regulations require quotations or tenders to be sought for purchases over prescribed limits and an individual officer is the main contact for all queries on contracts.</p>   |   |
| 2.02 | <p>The Authority's Financial Regulations require that a contract in writing for all purchases over £20,000. A sample of five payments was reviewed and, of these,</p> <ul style="list-style-type: none"> <li>(i) a signed contract was seen for the Security Cash Collection contract with KML;</li> <li>(ii) signed orders were seen for work undertaken by the Heritage Landscape Company.</li> <li>(iii) a contract with Rural Solutions for the Langcliffe Quarry Project had been organised by Craven District Council who had retained the contract, which was therefore not available for review by the auditors;</li> <li>(iv) Specialist Helicopters were engaged at the last minute to airlift materials to site when the winning tenderer withdrew. No contract appears to have been drawn up for this work;</li> <li>(v) a contract with J Porter for English Heritage Grant funded works was understood to be with a joint EH/National Park Authorities research project in Gloucester, therefore unavailable for review.</li> </ul> | <p>The Authority's legal position may not be secured.</p> |
| 2.03 | <p>A register of officer's interests is kept and maintained by the Monitoring Officer. It contains entries of only staff who have interests.</p>  | <p>Inappropriate contracts may be entered into.</p>       |

**3.0 OPINION**

3.1 The overall opinion of the systems in place is that they are **satisfactory**.



**4.0 RECOMMENDATIONS**

| <b>Recommendation</b> |   | <b><u>Ranking</u></b> | <b>See Para</b> | <b>Management Response</b>  | <b>To be actioned by:</b> |             |
|-----------------------|---|-----------------------|-----------------|---|---------------------------|-------------|
|                       |   |                       |                 |   | <b>Name</b>               | <b>Date</b> |
| 4.1                   | Arrangements be put in place to ensure that signed orders are issued or, where required by Financial Regulations, contracts signed by both parties, are issued before work is done. | Essential             | 2.02            | Senior Management Team are to remind all officers of the requirements of financial regulations in relation to this. | <b>All</b>                | <b>Sept</b> |

| <b>Recommendation</b> |  | <b><u>Ranking</u></b> | <b>See Para</b> | <b>Management Response</b>  | <b>To be actioned by:</b> |             |
|-----------------------|--|-----------------------|-----------------|---|---------------------------|-------------|
|                       |  |                       |                 |   | <b>Name</b>               | <b>Date</b> |
| 4.2                   | All Senior Officers, and those with responsibility for purchasing, be required to complete the register of interests, including nil returns. | Important             | 2.03            | <p>All officers are required to complete a register of interests return where an interest exists, and where this does exist that officer is removed from the decision making process.</p> <p>Where no interest is declared this is deemed to be a nil response, and in circumstances where a conflict is later discovered appropriate action will be taken.</p> <p>Also it is not considered appropriate to distinguish between senior officers and staff with purchasing responsibility as sensitive information could be used irrespective of role.</p> <p>The Authority does not propose to change its current policy and practices.</p> |                           |             |