ANNUAL HEAD OF INTERNAL REPORT 2023/24

23 April 2024

YORKSHIRE DALES
National Park



Veritau

CONTENTS

Background 4

Internal audit work carried out 4

Professional standards 4

Opinion of the Head of Internal Audit 5

Appendix A
2023/24 internal audit work 6

Appendix B
Summary of Findings 7

Appendix C
Audit opinions and priorities for actions 13



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BACKGROUND

1. The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Authority's audit charter. These require the Head of Internal Audit to present an annual report to the Audit and Review Committee. The report must include an opinion on the adequacy and effectiveness of the Authority's framework of governance, risk management and control. The report should also include:

   (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
   (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
   (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
   (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.

INTERNAL AUDIT WORK CARRIED OUT IN 2023/24

2. During 2023/24, internal audit work was carried out across a range of the activities of the Authority as agreed by the Audit and Review Committee on 11 July 2023. Internal audit work for the year comprised 26 days coverage. This is the standard number of days for the plan and is the same as recent years.

3. Appendix A summarises the internal audit work carried out during the year and the opinion given for each report. Appendix B provides details of the key findings arising from our internal audit work and appendix C provides an explanation of our assurance levels and priorities for management action.

PROFESSIONAL STANDARDS

4. In order to comply with the Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to the required professional standards. The results of the QAIP should be reported to senior management and the Audit and Review Committee along with any areas of non-conformance with the standards. The QAIP consists of various elements, including:

   a. maintenance of a detailed audit procedures manual and standard operating practices;
   b. ongoing performance monitoring of internal audit activity;
   c. regular customer feedback;

d. training plans and associated training and development activities;

e. periodic self-assessments of internal audit working practices (to evaluate conformance to the Standards).

5. An external assessment of Veritau's internal audit working practices was undertaken between June and August 2023, by the Chartered Institute of Internal Auditors.

6. The report concluded that Veritau's internal audit activity generally conforms to the PSIAS[1] and, overall, the findings were very positive.

7. The feedback included comments that the internal audit service was highly valued by Veritau's clients. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engaged flexibly with our clients throughout the internal audit process, at both strategic and operational levels.

8. The report concluded that Veritau generally conforms to 59 of the 60 applicable principles. One area for improvement was highlighted relating to assurance mapping. The recommendation and our response are included in the table below:

Recommendation	Response and Action Date
The CAE should continue to develop a proportionate, formal approach to assurance mapping, coordination and where appropriate, reliance, to enhance the function's risk-based planning, delivery and the effectiveness of assurance provided to key stakeholders.	Agreed – we will develop our approach to assurance mapping and working with other internal and external assurance provision. The approach will be flexible to reflect the different sectors and clients we provide internal audit services to. Target implementation date 31 March 2024

OPINION OF THE HEAD OF INTERNAL AUDIT

9. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Authority is that it provides **Substantial Assurance**. No reliance was placed on the work of other assurance providers in reaching this, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.

10. The opinion given is based on work that has been undertaken directly by internal audit, and on cumulative knowledge gained through our ongoing liaison and planning with officers.

[1] PSIAS guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

APPENDIX A: 2023/24 INTERNAL AUDIT WORK

Audit	Status	Assurance Level
Anti Fraud	Completed	Substantial Assurance
Main Accounting	Completed	Substantial Assurance
Retail Operations	Completed	Reasonable Assurance
Purchasing cards	Completed	Substantial Assurance

APPENDIX B: SUMMARY OF FINDINGS

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Anti Fraud	Substantial Assurance	The audit reviewed the Counter Fraud and Corruption arrangements within the Authority in line with the CIPFA code of practice.	November 2023	**Strengths** The Authority's anti-fraud arrangements generally align to the 5 key principles of the CIPFA code of practice. There is an anti-fraud, bribery and corruption policy in place, dated September 2022. The policy provides guidance on roles, responsibilities and processes. An introduction to the policy is included in all staff inductions. **Areas for improvement** The anti-fraud, bribery and corruption policy does not have a strategic focus, with linked policies and processes being out of date. There is no measurable aims and objectives in place to ensure the authority's processes are effective. There has been no recent counter fraud training delivered to staff.	Expand the money laundering section of the Financial Regulations. Complete reviews of the ICT Users Policy and ICT Development and Management/ Maintenance procedures. Identify priority services areas for counter fraud and awareness training and arrange appropriate training. Consider how more regular, wider fraud awareness updates could be provided to staff to help promote a culture of detection and prevention.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Main Accounting	Substantial Assurance	The audit reviewed system access, journals, suspense accounts and bank reconciliations to ensure appropriate controls were in place.	January 2024	**Strengths** Access to SunSytems is appropriate and relevant to job roles, and adequate controls exist to request new user access. Journals were accurately processed and authorised in most cases. Bank reconciliations were up to date and appropriately authorised. **Areas for improvement** One member of staff who had left the Authority still had access to the SunSystem. Two journals in our testing sample were missing 'reasons' and details of who prepared and authorised them.	This occurred when a key member of staff in the finance team was on sick leave. It's unlikely that there would be so much change at once in the future, but we will ensure that staff get removed from the system in a timely manner. All journals will be signed irrespective of whether they are posted by the authoriser. Where it is not obvious what the journal is for from the description, an explanation for the journal will be included.
Retail Operations	Reasonable Assurance	The audit reviewed the controls in place regarding ordering and purchasing of stock, monitoring and	December 2023	**Strengths** All purchase orders contained appropriate segregation of duties and all goods were marked as received within Stockade.	Before placing an order, the person placing the order will contact the supplier and ascertain a price

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		managing stock, and stock transfer management.		The Proactis payment system was updated promptly with all invoices received. The payment of all invoices was carried out within the required 30 day timescale. New supplier forms were being completed appropriately for suppliers not already held on Proactis. **Areas for improvement** In 4 cases the order amounts did not match to the invoice amounts due to the unit cost being different. There was no process in place for confirming goods have been received when transferring stock from the warehouse, or between visitor centres. Incomplete purchase orders remain open when part deliveries are made. The Authority does not have a process for managing aged stock.	for the items and ensure that Stockade is updated prior to the purchase order being placed. Deliveries to National Park Visitor Centres will be checked when packed and dispatched from the warehouse, and the contents will be checked against the delivery note on receipt and signed at National Park Visitor Centre, and any discrepancies reported. On delivery into the warehouse, the Retail Support Officer will mark on the purchase order on Stockade to confirm that they have been received and any shortages noted.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
					Advice with be sought from the Stockade account manager to find out if there is a single report which will provide information on aged stock.
Purchasing Cards	Substantial Assurance	The audit reviewed the controls around the use of purchasing cards. This included ensuring that card limits were adhered to and that appropriate evidence was retained for VAT purposes.	December 2023	**Strengths** There is a Finance Handbook in place which includes guidance in relation to the use of procurement cards. Staff are made aware of the handbook during the induction process. Purchase logs are in place and are sufficiently detailed. All purchase logs were reconciled to the bank statements and receipts. Testing identified that processes in place for reclaiming VAT were effective, and receipts were provided when necessary. **Areas for improvement** 'Supplier spend' is not being monitored by the Authority.	The new purchase log contains a list of supplier codes and provides an option to type in the supplier's name if they are not set up on the system. This will be checked by the Finance Clerk to ensure logs are being completed accurately. Where a card is used for a regular supplier who has an account set up in the system, the reason for not using a purchase order and invoice will be checked to ensure no circumvention of the

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				Procurement cards are being used by officers other than the card holder, which is not compliant with the finance handbook. Card limits are being exceeded and no documentation is being retained to support the increases.	procurement rules is taking place. The Finance Handbook will be updated to allow for occasional use of a colleague's card in certain circumstances, and a reminder will be sent to cardholders to use their own cards. The spreadsheet detailing the cardholders and limits will be updated and a second tab added to record temporary changes to limits with details such as date, length of time the increase is for, amount, reason, the person who requested it, and which budget manager approved the increase if above £1,000.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
					The Finance Handbook will be updated with current practice, and checked to the instructions sheet in the purchase log to ensure they are aligned.

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.	
Opinion	**Assessment of internal control**
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.