YORKSHIRE DALES NATIONAL PARK AUTHORITY **ITEM 11**

Committee: **AUDIT AND REVIEW**

Date: **18 APRIL 2023**

Report: **INTERNAL AUDIT ANNUAL REPORT FOR 2022/23**

Purpose of the report

1. To present the Annual Report prepared by the Authority's Internal Auditor, Veritau Ltd, based on audit work covering the year to March 2023.

RECOMMENDATION

2. Members are asked to note the report.

Strategic Planning Framework

3. The information and recommendation contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework:

   Corporate Plan objective 37 *'Operate governance arrangements that are fit for purpose as reported through the Annual Governance Statement and the Annual Governance Report'.*

Background

4. The report forms part of the statutory requirement to maintain an adequate and effective internal audit function. Compliance with established Internal Audit Codes of Practice requires that this Committee is provided with an annual report setting out the work done by Internal Audit, and that such a report contains an overall opinion on the internal control framework.

5. The Internal Auditor's report for 2022/23 is attached; it includes a summary of audit work completed during the year and details of the findings of individual internal audits, and provides an overall opinion and a statement of assurance regarding the adequacy and effectiveness of the Authority's internal control systems. The latter supports the Authority's Annual Governance Statement (AGS), which in turn supplements the Financial Statements.

Conclusion

6. The overall opinion of the Internal Auditor on the controls operated by the Authority is that they provided **Substantial Assurance**. There were no significant control weaknesses which, in the opinion of the Head of Internal Audit, needed to be considered for inclusion in the Annual Governance Statement.

Michelle Clyde
Head of Finance

21 March 2023

ANNUAL HEAD OF INTERNAL REPORT 2022/23

18 April 2023

YORKSHIRE DALES
National Park

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Ian Morton
Assistant Director – Audit Assurance

Max Thomas
Head of Internal Audit

Circulation list: Members of the Audit and Review Committee

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 bring 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 2022/23

2. During 2022/23, internal audit work was carried out across a range of the activities of the Authority as agreed by the Audit and Review Committee on 12 July 2022. Internal audit work for the year comprises 26 days coverage. This is the standard number of days for the plan and is the same as recent years other than 2021/22 when there was a one off increase of 4 days.

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. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment was last carried out in November 2018.

6. The outcome of the previous QAIP demonstrated that the service conformed to the Public Sector Internal Audit Standards. The QAIP for 2023 is yet to be completed, but further details of the 2023 Quality Assurance and Improvement Action Plan will be provided to this committee when prepared.

OPINION OF THE HEAD OF INTERNAL AUDIT

7. 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.

8. 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.

APPENDIX A: 2022/23 INTERNAL AUDIT WORK

Audit	Status	Assurance Level
Contract Management	Completed	Reasonable Assurance
IT Security	Completed	Reasonable Assurance
Payroll	Completed	Substantial Assurance
Vehicles and Equipment	Completed	Substantial Assurance
Visitor Centres	Completed	Substantial Assurance

APPENDIX B: SUMMARY OF FINDINGS

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Contract Management	Reasonable Assurance	The audit reviewed the contract management arrangements in place across the Authority and reviewed the management of a sample of contracts.	March 2023	**Strengths** A contracts register is in place for the Corporate Services Directorate. Contract details are published in line with legislation. The Procurement Manual outlines procedures officers should follow when managing contracts. It includes expectations that quality and performance standards should be monitored. **Areas for improvement** There is no Authority wide contract register and the Corporate Services register does not cover all expected areas. The monitoring of some contracts has not been carried out in accordance with guidelines.	A sufficiently detailed contract register will be developed and maintained. The monitoring of the individual contracts identified will be reviewed.
IT Security	Reasonable Assurance	The audit reviewed business continuity plans, access controls, network security, training and control of ICT assets.	March 2023	**Strengths** There is a Business Continuity and Disaster Recovery Plan in place, dated February 2022.	MFA will be enforced for IT admin roles. Password security will be improved and the roll out of MFA for all

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				Appropriate processes are in place to grant system access for new starters, and to ensure that access is removed for leavers. A firewall is in place. The Authority has recently undergone a joint procurement exercise with other national parks for automated penetration testing. Most laptops are now encrypted. Anti-virus and anti-malware are installed on all laptops. An up-to-date ICT asset register is in place. Mandatory Data Protection training is in place. HR and Line Managers also remind staff of the need to complete mandatory training. **Areas for improvement** Multi-factor authentication (MFA) is not currently in place and password complexity does not match current best practice guidance. The ICT specific Disaster Recovery/Business Continuity Plan is dated March 2008 and has not been updated for some time. Some other IT related policies have not been updated for some time.	users will be reviewed after Microsoft 365 (MS365) roll out is completed. Policies will be updated to reflect changes due to the adoption of blended working and the use of MS365. Scanning of links and an email header warning are now in place. Warning to be added to gateway screen.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				There is no control in place to prevent users from opening malicious content from links within email bodies. There is no email header to warn users that an email originates from outside the authority. The authority's remote login screen does not stipulate that only authorised users can access the system.	
Payroll	Substantial Assurance	The audit reviewed the processes in place for making payments, managing starters and leavers, and recording sickness.	March 2023	**Strengths** There is segregation of duties throughout the system. Timesheets for additional/relief hours were signed by the employee and their line manager. BACS reports are reviewed and signed off independently each month. Basic pay tested agreed with salary recorded. National Insurance deductions were calculated in line with the changes in the rate and thresholds in April and November 2022. Evidence was available to support all new starters and leavers reviewed and details entered agreed to supporting evidence.	-

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				All sickness tested had been entered correctly on the IT system and self-certification documents were available where expected. Return to work interviews had been carried out and documented. **Areas for improvement** No areas for improvement were identified.	
Vehicles and equipment	Substantial Assurance	The audit reviewed the processes and contracts in place to manage vehicle and equipment maintenance and costs and to ensure they are only used for approved purposes	March 2023	**Strengths** Contracts are in place for all vehicles and MOT and servicing is the responsibility of the lease company who monitor these activities. Declarations for vehicle users are maintained effectively. Training records are up to date and complete. Each vehicle has its own fuel card that records fuel purchased for that vehicle. Checks are carried out on invoices to ensure only authority vehicles are included. **Areas for improvement** There is little central monitoring of contracts, particularly in relation to	Vehicle mileage will be monitored centrally to manage risk of excess mileage charges. Comparison of fuel consumption will be reintroduced.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				mileage and the risk of excess mileage charges. There is currently no process for monitoring fuel usage of vehicles and equipment.	
Visitors Centres	Substantial Assurance	The audit reviewed the processes in place for managing income, stock and paying staff at the visitors' centres.	March 2023	**Strengths** Procedure notes for income collection and banking processes are in place. Reconciliation between the centre's income and amount banked had been performed. Stock is managed via the Stockade system and procedure notes are in place. All orders reviewed had been recorded correctly on the system, in line with procedures. The retail manager oversees the purchase of stock and any purchases by the retail manager obtain additional finance approval to ensure segregation of duties. All timesheets checked had been signed and authorised and agreed with appropriate records. **Areas for improvement** Key documents used to guide staff operations and the wider retail	Documents are reviewed on a 5-year cycle and are now due for renewal. Annual figures that are available elsewhere will be removed from these documents to remove any impression that these are not 5-year documents. A method to record reasons for stock change decisions will be implemented. The feasibility of having individual till logins for staff will be looked at in conjunction with the system provider.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				strategy are out of date and may no longer be relevant. Document review schedules are not in place. The Retail and Merchandising Strategy contains a list of factors for consideration when sourcing new stock and suppliers. Evidence was not always available to demonstrate these factors had been considered when selecting new suppliers. Staff access the tills at the NPCs via generic user accounts. It is therefore not possible to identify who processed a transaction.	

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.