

CLYDE MUIRSHIEL PARK AUTHORITY

To: JOINT COMMITTEE

Date: 23 June 2017

Report by
Chief Auditor

INTERNAL AUDIT ANNUAL REPORT 2016/17

1. SUMMARY

- 1.1 The Public Sector Internal Audit Standards require the Chief Auditor to prepare a report, at least annually, to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.
- 1.2 The annual report must also provide an annual audit opinion on the overall adequacy and effectiveness of the Clyde Muirshiel Park Authority's internal control environment.
- 1.3 The Annual Report for Clyde Muirshiel Park Authority is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the Internal Audit Team, the main findings from the internal audit work undertaken in 2016/17, and contains an audit assurance statement.

2. RECOMMENDATIONS

- 2.1 Members are invited to consider and note the contents of the Annual Report.
-

Clyde Muirshiel Park Authority Internal Audit Annual Report 2016-2017

June 2017

Clyde Muirshiel Park Authority
Internal Audit Annual Report 2016/2017

Contents

| | | Page |
|----|---|------|
| 1. | Introduction | 1 |
| 2. | Responsibilities of Management and Internal Audit | 1 |
| 3. | Internal Audit Activity in 2016/17 | 2 |
| 4. | Internal Audit Performance | 3 |
| 5. | Planned Audit Work for 2017/18 | 4 |
| 6. | Audit Assurance Statement | 4 |

Clyde Muirshiel Park Authority

Internal Audit Annual Report

1 April 2016 – 31 March 2017

1. Introduction

- 1.1 As host Authority, Renfrewshire Council provides an internal audit service to Clyde Muirshiel Park Authority. This includes:
- The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Interim Regional Park Manager, Clyde Muirshiel Park Authority;
 - Delivery of the planned audit assignments;
 - Follow up of previous audit recommendations;
 - Provision of any ongoing advice and support on audit and risk management related matters;
 - Provision of an Annual Report and Assurance Statement, and presentation to elected members at the Clyde Muirshiel Park Authority.
- 1.2 The Service operates in accordance with the Public Sector Internal Audit Standards which defines Internal Audit's role as:
- “.....an independent, objective assurance and consulting activity designed to add value and improve an organisation's 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.”
- 1.3 In line with the Standards, the purpose of this Annual Report is to report on:
- The outcome of the planned Internal Audit reviews 2016/17 relating to Clyde Muirshiel Park Authority;
 - The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
 - Internal audit performance ;
 - Planned audit work for 2017/18;
 - The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the Board's internal control environment.

2. Responsibilities of Management and Internal Audit

- 2.1 It is the responsibility of management to ensure that the areas under their control are adequate and effective and that there is a sound system of internal

control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.

- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.

3. Internal Audit Activity during 2016/2017

- 3.1 One specific review was undertaken during 2016/17, in relation to the governance arrangements operating within the Authority. The main findings in relation to this review is summarised in table 1 below:

Table 1

| Audit Area | Conclusion |
|-------------------------|---|
| Governance Arrangements | <ul style="list-style-type: none">• Reasonable Assurance• Whilst there are satisfactory operational governance arrangements in place at the Park, it was identified that key governance documents had not been reviewed for some time. In addition, there were no formal business or risk management plans. |

- 3.2 The Annual Report for 2015/2016 was submitted to the Authority on 27 May 2016.
- 3.3 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2016/17, 4 recommendations were followed up. Of these 3 (75%) have been implemented, 1 (25%) was partially complete, subject to completion at a later date, and will be followed up in 2017/18.
- 3.4 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support the Authority's activity. The main findings in relation to these are summarised in table 2 below and Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

Table 2

| Audit Area | Conclusion |
|--|---|
| Corporate Governance (Gifts and Hospitality) | <ul style="list-style-type: none"> • Limited Assurance • Internal Audit have reviewed the level of awareness and compliance with the procedures for gifts and hospitality. Council management has agreed to review the documented procedures in place and develop training material to promote staff awareness and compliance. |
| Procurement (Tendering arrangements) | <ul style="list-style-type: none"> • Substantial Assurance • No key risks were identified, although some recommendations were made in relation to retention of records, updating procedures and segregation of duties. |

4. Review of Internal Audit Performance

- 4.1 In previous years internal audit measured performance against a range of measures set annually. In 2016/17, Internal audit were in the process of implementing a new audit management system, during this phased implementation period it was only possible to measure the percentage completion of the audit plan for the year. Table 3 shows the actual performance against targeted performance for the year.

Table 3

| Internal Audit Performance 2016/17 | | |
|---|-----------------------|-----------------------|
| Performance measure | Target 2016/17 | Actual 2016/17 |
| % completion of audit plan for the year* | 95% | 91.8% |

* this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.

- 4.2 Actual performance for the year is 3.2% below the target performance level. This was due to the actual level of resources available being lower than had been planned for, due to vacancies and maternity leave. The 95% targeted completion was achieved by the end of April 2017.

4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit including conformance with the PSIAS. During 2016/17, an external quality assessment was undertaken, as required by the PSIAS once every five years. The assessment was undertaken as a peer review by West Lothian Council and concluded that the internal audit service was well managed and effective. A small number of recommendations for improvement were made and these have been added to the quality assurance and improvement programme for implementation during 2017/18.

4.4 External Audit

External Audit's review of the internal audit service concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

4.5 Risk Management

The responsibility for co-ordinating risk management activity across the council and its associated bodies lies with internal audit. Risk management performance is detailed in Renfrewshire Council's risk management annual report. During 2016/17, the Risk Manager has also met with the Interim Regional Park Manager to assist in the development of the Authority's Risk Management Plan.

5. Planned Work for 2017/18

5.1 Following a risk based assessment of the activities of Clyde Muirshiel Park Authority and consultation with the Interim Regional Park Manager, one specific internal audit review is planned for 2017/2018, in relation to the on-line booking system. Time has also been provided for ad-hoc financial advice, reactive investigative work, follow-up of previous audits and risk management advice.

5.2 An annual report for 2016/2017 will also be provided to the Authority.

6. Audit Assurance Statement

6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 1.2. The audit work performed has been reported to the appropriate management, and to the Authority in this annual report. Where areas for improvement in internal control have been identified appropriate recommendations have been made, and management are currently progressing the implementation of these recommendations.

6.2 In view of the continued challenges common to all public bodies, there will be a requirement for the council and the bodies for which it is host authority to

exercise very close scrutiny over expenditure, and this area will continue to receive due internal audit attention.

6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.

6.4 In this context, it is considered that a reasonable level of assurance can be placed upon the adequacy and effectiveness of Clyde Muirshiel Park Authority's internal control, risk management and governance arrangements, as evidenced by:-

- The results of the audit work in 2016/17 in relation to the corporate systems which supported the Clyde Muirshiel Park Authority's activities and to specific work carried out in relation to those activities.
- Management action to respond to audit recommendations.
- Management self assessment of internal control, risk management and governance arrangements.
- The regular review and updating of the Local Code of Corporate Governance by the Council in accordance with the CIPFA/SOLACE framework for corporate governance requirements and of the corporate governance arrangements within Clyde Muirshiel Park Authority.

Signed



Chief Auditor

Date

23 June 2017