

CLYDE MUIRSHIEL PARK AUTHORITY

To: JOINT COMMITTEE

Date: 22 June 2018

**Report by
Chief Auditor**

INTERNAL AUDIT ANNUAL REPORT 2017/18

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 2017/18, and contains an audit assurance statement.

2. RECOMMENDATIONS

- 2.1 Members are invited to note the contents of the Annual Report.
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Clyde Muirshiel Park Authority Internal Audit Annual Report 2017-2017

June 2018

Clyde Muirshiel Park Authority
Internal Audit Annual Report 2017/2018

Contents

		Page
1.	Introduction	1
2.	Responsibilities of Management and Internal Audit	1
3.	Internal Audit Activity in 2017/18	2
4.	Internal Audit Performance	4
5.	Planned Audit Work for 2018/19	5
6.	Audit Assurance Statement	5

Clyde Muirshiel Park Authority

Internal Audit Annual Report

1 April 2017 – 31 March 2018

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 2017/18 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 2018/19;
- 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 2017/2018

- 3.1 One specific review was undertaken during 2017/18, in relation to the on-line booking system in operation within the Authority. The main findings in relation to this review is summarised in table 1 below:

Table 1

Audit Area	Conclusion
On-line booking system	<ul style="list-style-type: none">• Reasonable Assurance• Procedures are in place to hold customer data securely and protect it from unauthorised access. On line card payments are reconciled to bank statements and the general ledger. However, some staff have administrator functions that they do not require, increasing the risk that they could process transactions not delegated to them.

- 3.2 The Annual Report for 2016/2017 was submitted to the Authority on 5 June 2017.
- 3.3 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2017/18, 2 recommendations were followed up. Of these 2 (100%) have been implemented. There are no outstanding internal audit recommendations.
- 3.4 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support the Board'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
Payroll - Pensions Auto Enrolment	<ul style="list-style-type: none">• Reasonable Assurance• The audit identified that there are arrangements in place to cover the requirements of the Pensions Act 2011, recommendations were made to improve the processes to record and pass this information to the pension provider timeously and improve the communication issued to employees regarding postponed enrolment.
Corporate Health & Safety	<ul style="list-style-type: none">• No AssuranceIn the context of the objectives of the audit review, the control environment has been assessed as unsatisfactory. The Auditor is concerned that the current governance arrangements may not be fit for purpose. Operational arrangements are not currently adequate and there is a lack of appropriate processes and scrutiny. Management need to review the governance and operational practice as a matter of priority.
Corporate Purchase Cards	<ul style="list-style-type: none">• Reasonable AssuranceThere are adequate procedures in place covering the purchase of goods with Pcard, issues were identified regarding compliance with some areas of these procedures such as recurring mid value transactions, purchase of IT equipment and high value orders where the Pcard purchase method is not recommended. The audit also identified areas of non-contract spend that would benefit from further review by the Corporate Procurement Unit.

4. Review of Internal Audit Performance

- 4.1 Internal Audit produces regular reports on its performance during the year to the Renfrewshire Council, Audit, Risk and Scrutiny Board, against a range of measures set annually by the Director of Finance and Resources. These targets are set for all internal audit engagements and include Renfrewshire Council and other associated bodies, for which the team provides internal audit services. Table 3 shows the actual performance against targeted performance for the year.

Table 3

Internal Audit Performance 2017/18		
Performance measure	Target 2017/18	Actual 2017/18
% of audit assignments completed by target date	95%	96%
% of audit assignments completed within time budget	95%	95%
% completion of audit plan for the year*	95%	93%

* 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, in relation to percentage completion of the audit plan, is 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 two Council engagements being deferred into early 2018/19 due to other operational commitments within the services. All RVJB specific audit engagements were completed by 31 March 2018.
- 4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit including conformance with the PSIAS. There is an opportunity to improve and formalize the internal audit reporting arrangements to Board and this has been addressed early in 2018/19.
- 4.4 External Audit

External Audit's review of the internal audit service concluded that overall the service operates in accordance with the PSIAS, although some recommendations for improvement were made which have been addressed.

- 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.

5. Planned Work for 2018/19

- 5.1 Following a risk based assessment of the activities of the Clyde Muirshiel Park Authority and consultation with the Regional Park Manager, the audit plan provides for ad-hoc advice, reactive investigative work, follow-up of previous audits and risk management advice.

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 2017/18 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