

REPORT OF INTERNAL AUDITOR

SUBJECT:

Indicative Audit Strategy 2022/24 and Annual Plan 2022/23

Background:

To receive the Indicative Audit Strategy 2022/24 and Annual Plan 2022/23 from the Authority's Internal Auditors TIAA.

RECOMMENDATION: To note and comment on Indicative Audit Strategy 2022/24 and Annual Plan 2022/23

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Background documents

(For further information, please contact Richard Griffiths, extension 4815 or at Richardg@pembrokeshirecoast.org.uk)



Pembrokeshire Coast National Park Authority

Indicative Audit Strategy 2022/24 and Annual Plan 2022/23

2022/23



February 2022

DRAFT

OVERVIEW

Introduction

The Audit Plan for 2022/23 has been informed by a risk assessment carried out across our clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a summary annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for publically funded organisations in terms of income and also the pressures on service delivery. There are a number of operational issues that have also come to prominence; we have identified a number of key areas which require consideration when planning internal audit coverage.

COVID-19 pandemic: It is evident that the impact of the pandemic in will carry through into 2022/23, not least the effect it will continue to have on health, the economy and employment. The knock-on impacts could affect delivery of programmes, staff wellbeing and the Commission's financial position.

Brexit withdrawal agreement: Depending on whether or not the United Kingdom can reach agreement on the terms of the UK's exit from Europe, the knock on effect on trade, supplies and labour could have a detrimental impact on the economy and on the prices of goods and commodities.

Cyber-crime: A continuing theme linked to fraudulent activity. There have been targeted attacks in other sectors; no one organisation should think that they are unlikely to be targeted and should take steps to assure themselves over the robustness of their overall arrangements. The widespread adoption of remote working and increased online service delivery during the pandemic has allowed more opportunities for phishing, malware, and ransomware attacks.

Project Management and Delivery: The impact of Covid 19 on the timeliness and cost of delivery of critical projects.

Providing Assurance during the COVID-19 pandemic

From the outset, we successfully transitioned to new and remote ways of working without any diminution of the service and we recognise that many if not all of our clients have had to implement changes in the way that they work. We continue to consider any gaps in control or exposures that have arisen as a result of this. Whilst many measures have largely been relaxed, it is not inconceivable that further measures might be implemented to stem any increases in cases. We continue to adopt a hybrid approach with a mix of remote and on-site working and tailor this approach to client requirements and the nature of each assignment.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2022/23 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

INTERNAL AUDIT PLAN

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2022/23, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Pembrokeshire Coast National Park Authority and those within the sector and has been developed with senior management and Committee. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS).

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing Pembrokeshire Coast National Park Authority. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix A) and the Annual Plan (Appendix B) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit and Corporate Services Review Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Pembrokeshire Coast National Park Authority. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where Pembrokeshire Coast National Park Authority agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Pembrokeshire Coast National Park Authority and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date plan issued:	18 th February 2022
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APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	BAF/Risk Ref	Type	2022/23	2023/24
Governance and Risk Management				
Performance Management	4, 6, 22	Assurance	✓	
Board Assurance Framework - Advisory	All	Advisory	✓	
Strategic Control	6	Assurance		✓
Risk Management – Mitigating Controls	Selective	Assurance		✓
ICT				
ICT Disaster Recovery	18	Assurance	✓	
Cyber Security	20	Assurance		✓
Finance				
Payroll and Expenses	38 and 39	Assurance	✓	
Key Financial Controls	1,2 and 38	Compliance		✓
Operational				
Safeguarding	15, 30, 31 and 32	Assurance	✓	
Conservation Management Schemes	24 and 35	Assurance	✓	
Enforcement	3	Assurance		✓
Health and Safety	15,16, 17, 29,30, 31, 38 and 39	Compliance		✓
Economic Impact Assessment - Socio-economic Duty	3, 4, 5 and 7	Compliance		✓
Departmental				
Visitor Centres & Cafes (Castell Henllys 22/23 and Oriel y Parc 23/24)	15, 16, 17, 33, 38 and 39	Compliance	✓	✓
Fleet Management	29	Assurance		✓

Review Area	BAF/Risk Ref	Type	2022/23	2023/24
Management and Planning				
Follow Up		Follow Up	✓	✓
Annual Planning		-	✓	✓
Annual Report		-	✓	✓
Audit Management		-	✓	✓

APPENDIX B: ANNUAL PLAN – 2022/23

Quarter	Review	Type	Days	High-level Scope
2	Board Assurance Framework - Advisory	Advisory	2	<u>Risk</u> Selective <u>Rationale</u> Focus on risks. <u>Scope</u> Internal audit will provide best practice guidance and act as a critical friend to the Authority as they continue to develop the Board Assurance Framework. There will be no report arising from this review.
2	ICT Disaster Recovery	Assurance	3	<u>Risk</u> 18 <u>Rationale</u> Identified by management as a risk area as part of the three year strategic plan. <u>Scope</u> The review considers the extent to which the organisation has put into place arrangements which provides reasonable but not absolute assurance that the impact on the organisation of any major incident will be minimised. The scope of the review does not include providing assurance that the actual testing of hardware/software etc has been carried out effectively.
2	Safeguarding	Assurance	3	<u>Risk</u> 15, 30, 31 and 32 <u>Rationale</u> Identified by management as a risk area as part of the three year strategic plan. <u>Scope</u> The review will consider the effectiveness of the safeguarding arrangements.
2	Visitor Centres & Cafes - Castell Henllys	Compliance	2	<u>Risk</u> 15, 16, 17, 33, 38 and 39 <u>Rationale</u> Identified by management as a risk area as part of the three year strategic plan. <u>Scope</u> A visit will be made to a one visitor centre to assess compliance with Financial and Duty of Care Policies and Procedures.

Quarter	Review	Type	Days	High-level Scope
4	Performance Management	Assurance	3	<p><u>Risk</u></p> <p>4, 6 and 22</p> <p><u>Rationale</u></p> <p>Identified by management as a risk area as part of the three year strategic plan.</p> <p><u>Scope</u></p> <p>The review considers the arrangements for providing assurance to the Board and senior management through the use of Key Performance Indicators and the systems that are used to track and manage the attainment of these targets. The scope of the review does not include consideration of the accuracy or completeness of all reports presented to the Authority/Committees or the appropriateness of all decisions taken.</p>
4	Payroll and Expenses	Assurance	3	<p><u>Risk</u></p> <p>38 and 39</p> <p><u>Rationale</u></p> <p>Key area of spend.</p> <p><u>Scope</u></p> <p>The review considers the arrangements for: the creation, amendment and deletion of payroll records; payment of expenses, allowances and pay awards; and payment of salaries. The scope of the review does not include determination of salary scales, appointment and removal of staff, severance payments or pension arrangements.</p>
4	Conservation Management Schemes	Assurance	3	<p><u>Risk</u></p> <p>24 and 35</p> <p><u>Rationale</u></p> <p>Identified by management as a risk area as part of the three year strategic plan.</p> <p><u>Scope</u></p> <p>Details of the scope to be agreed with management.</p>
4	Follow-up	Follow up	1	Follow-up of implementation of agreed actions from audit reports, ensuring the organisation is implementing recommendations, and providing reports to the Audit and Corporate Services Review Committee.
1	Annual Planning	Management	1	Assessing the Authority's annual audit needs.
4	Annual Report	Planning/Reporting	1	Reporting on the overall conclusions and summary opinion based on the year's audits and other information and providing input to the Annual Governance Statement.

Quarter	Review	Type	Days	High-level Scope
1-4	Audit Management	Planning/Reporting	3	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
Total days			25	

APPENDIX C: INTERNAL AUDIT CHARTER

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Pembrokeshire Coast National Park Authority and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Corporate Services Review Committee.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and summary opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Pembrokeshire Coast National Park Authority's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All Pembrokeshire Coast National Park Authority's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Pembrokeshire Coast National Park Authority's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Audit and Corporate Services Review Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Pembrokeshire Coast National Park Authority and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose

will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within Pembrokeshire Coast National Park Authority and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit and Corporate Services Review Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Pembrokeshire Coast National Park Authority's management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and Pembrokeshire Coast National Park Authority's requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of Pembrokeshire Coast National Park Authority and additional time will be required to carry out such testing. Pembrokeshire Coast National Park Authority is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

Liaison with the External Auditor

We will liaise with Pembrokeshire Coast National Park Authority's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each Audit and Corporate Services Review Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of Pembrokeshire Coast National Park Authority's governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

Audit and Corporate Services Review Committee Responsibility

It is the responsibility of the Pembrokeshire Coast National Park Authority to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit and Corporate Services Review Committee is also approving the Internal Audit Charter.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA's audit charter and PSIAS/IIA Standards.	100%