

REPORT OF INTERNAL AUDITOR

SUBJECT:

Draft Strategy for Internal Audit 2023/24 - 2025/26

Background:

To receive the Draft Strategy for Internal Audit 2023/24 - 2025/26 from the Authority's Internal Auditors ASTARI.

RECOMMENDATION: To note and comment on Draft Strategy for Internal Audit 2023/24 - 2025/26.

Background documents

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Pembrokeshire Coast National Park Authority

Strategy for Internal Audit - DRAFT

2023/24 – 2025/26

For presentation at the Audit & Corporate Services Review Committee meeting of 12 July 2023 and subsequently to the National Park Authority meeting of 26 July 2023

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This report is prepared solely for the use of the Authority and senior management of Pembrokeshire Coast National Park Authority. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be recited or referred to in whole or in part to other third parties without 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.

1. INTRODUCTION

1.1. Approach

This strategy sets out the approach taken to develop your strategy for Internal Audit for 2023 / 2026. It provides the Authority with a three year strategy and a more detailed plan for 2023/24.

The Internal Audit Strategy is reviewed at least annually to take into account any significant events or findings which may impact upon the audit risk assessments and in-year changes are often implemented as the priorities of the organisation change and the risk environment alters. An update on delivery of the Strategy, including any changes, is provided at each meeting of the Audit & Corporate Services Review Committee.

Each year an ‘Understanding the Business’ exercise is undertaken through which your Internal Audit team considers any changes to the Authority or the operating environment, including reviewing the results of previous audits and other sources of assurance. This, plus your own risk management processes are used to undertake a risk assessment and develop a robust, risk-based audit plan.

An Annual Plan will be prepared prior to the start of each fiscal year and will be presented to the Audit & Corporate Services Review Committee for approval.





1.2. The Purpose and Function of Internal Audit

Our professional responsibilities as internal auditors are set out in the International Professional Practices Framework (IPPF), published by the Institute of Internal Auditors (IIA). The IIA states the Mission of Internal Audit is to:

“Enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

It defines Internal Audit (IA) as:

An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations; an activity that 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.

This definition clearly emphasises that IA should assist in improving organisations' operations through a combination of both assurance and consulting activities. There are three key areas that Internal Audit needs to focus on to achieve this: **risk management, governance and control.**

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the Authority has in place, focusing in particular on how these arrangements help to achieve its objectives.

2. Developing your Internal Audit Strategy for 2023 / 2026

Understanding Pembrokeshire Coast National Park Authority’s objectives and risk profile is the starting point for the development of the strategy for internal audit for the Authority, which is set out at Appendix I to this document.

In preparing your strategy and developing the detailed internal audit plan for 2023/24 we met with key individuals and attended an on-site Management Team meeting to enhance our understanding of the Authority’s operations. We also met with the Chair of the Audit & Corporate Services Review Committee to discuss the role of Internal Audit within the Authority and where we could add most value. The following key areas were considered:

| Key Areas considered: | |
|-----------------------|--|
| 1 | This Strategy is a risk-based Strategy and it is built around the Authority’s objectives and risks. Appendix I provides details of the significant risks from the May 2023 Risk Register and how these will be audited. |
| 2 | Ensuring audits are undertaken “across” teams, considering the integration of teams across the Authority as part of relevant reviews. |
| 3 | Visitors Centres are a key elements of the Authority’s operations; however, looking at them individually once every three years was not considered the best approach. A cross-centre, risk-based approach has been proposed instead, the specific scopes for which will be agreed during the year. |
| 4 | Health and safety was discussed and regular one-day “spot checks” have been included in the plan to provide assurance over delivery of the action plan resulting from the Health & Safety Executive’s review. |

| | |
|----|--|
| 5 | A review of Income Generation has been included in the first year to follow up on how the Authority is responding to the Wales Audit Office’s review of this area and that actions are being completed as planned. |
| 6 | A Risk Maturity review has been included in year 1 to consider the reliance that can be placed on the Authority’s risk management processes as well as providing opportunities for enhancing those processes. |
| 7 | At the request of the Audit and Corporate Services Review Committee, a Risk Appetite Workshop was discussed but has not been included within the Internal Audit Plan. Subject to the Authority’s agreement, this can be provided in addition to the Plan and will be discussed separately. |
| 8 | The Authority’s draft Corporate and Resources Plan and Delivery Plans 2023/24 – 2026/27, being presented to the Authority on 21 June 2023, were taken into account in the development of this Strategy. |
| 9 | An audit of Governance Structures and Processes was considered for Year 1; however, we understand that this area is planned to be reviewed by the Wales Audit Office and so an alternative review, Value for Money, has been included instead. |
| 10 | Rather than a review across the Visitors Centres in year 1, an Estates Management review has been included that will include elements around the Visitors Centre. It is intended that this will enable greater understanding of the Visitors Centres in order to better plan for future years’ audits. |

The detailed plan for 2023/24 is set out at Appendix II.

3. Considerations for the Audit & Corporate Services Review Committee

To assist the Audit & Corporate Services Review Committee with its consideration of the Internal Audit Plan, some questions are provided below that the Committee should consider when reviewing the Plan:

- ▲ Does the Strategy for Internal Audit (as set out at Appendix I) cover the Authority's key risks as they are recognised by the Audit & Corporate Services Review Committee?
- ▲ Is there sufficient alignment between the proposed engagements planned and the rest of the Authority's assurance framework / programme of assurance?
- ▲ Does the audit strategy include all those areas that the Audit & Corporate Services Review Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?
- ▲ Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
- ▲ Does the detailed internal audit plan for the coming financial year (see Appendix II) reflect the areas that the Audit & Corporate Services Review Committee believes should be covered as priority?
- ▲ Is the Audit & Corporate Services Review Committee satisfied that sufficient assurances are being received by the Authority to effectively monitor the Authority's risk profile?

APPENDIX I: Strategy for Internal Audit 2023/24 – 2025/26

Risk Based Coverage

| Risks | Engagement Areas | Source / Reference ¹ | 2022/23 ² | 2023/24 | 2024/25 | 2025/26 | Last Audit Date |
|---|-------------------------------------|---------------------------------|--|---------|---------|---------|-----------------|
| Short Term Risk of significant reduction of funding from WG, other public sector funders, grant schemes or Authority Generated Income. Higher inflation adding to costs. | Income Generation | Risk Register – 1 | | ✓ | | ✓ | - |
| Medium to Long Term Risk of reduction of funding from WG, other public sector funders, or grant schemes. Higher inflation and wage costs adding to costs. Planned reduction in reserves | Key Financial Controls ³ | Risk Register – 2 | ✓ | ✓ | ✓ | ✓ | Annual |
| Risk of long term impact from climate change | Climate Change & Decarbonisation | Risk Register – 5 | | | ✓ | | - |
| Risk of loss of habitat and biodiversity | Invasive Species Project | Risk Register – 6 | | | | ✓ | - |
| Risk of not delivering on Corporate Objectives | Various | Risk Register – 7 | Various aspects of this risk will be covered throughout the life of this Strategy. | | | | |
| Ash Die Back disease is now widespread within the National Park, including on our Estate. | - | Risk Register – 10 | Due to the nature of this risk no audit is proposed at the current time. | | | | |
| Risk of disease or pandemic | Business Continuity Planning | Risk Register – 11 | | | ✓ | | - |
| Risk of Authority no longer considering the specific Well-being Objective of Equality in its equality plan and equality mainstreaming activities | Equality, Diversity & Inclusion | Risk Register – 12 | | | | ✓ | - |

¹ Included in the above table are all risks that had an inherent risk score of 6 (Amber) or higher from the latest Risk Register presented to the Audit & Corporate Services Review Committee in May 2023.

² This column has been included to show what areas were covered in the previous year - 2022/23.

³ This is an annual review that covers aspects of finance but not budgetary control (linked to this risk) every year.

| Risks | Engagement Areas | Source / Reference ¹ | 2022/23 ² | 2023/24 | 2024/25 | 2025/26 | Last Audit Date | |
|--|------------------|---------------------------------|---|---------|---------|---------|-----------------|--|
| Failure to meet Health & Safety requirements | Health & Safety | Risk Register – 13 | | ✓ | ✓ | ✓ | - | |
| Adverse impact of the pay & grading exercise | - | Risk Register – 14 | Due to the nature and timing of this risk no audit has been proposed at the current time. | | | | | |

Other Internal Audit Coverage

| Internal Audit Coverage | Source / Rationale | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Last Audit Date |
|-------------------------|--|---------|---------|---------|---------|-----------------|
| Risk Management | Annual review of this key area to provide assurance that the Authority's risk management processes are operating effectively and that key risks to its objectives are being identified, managed and monitored. In year 1 this will be a risk maturity review. | ✓ | ✓ | ✓ | ✓ | - |
| Key Financial Controls | Review of key financial control areas, including the following: <ul style="list-style-type: none"> ▲ General Ledger ▲ Payroll ▲ Creditors ▲ Budgetary Control ▲ Fixed Assets ▲ Cash & Treasury Management Coverage of the above areas will be risk-based, taking into account the following: changes to personnel or systems, time since the previous assurance review, changes in the external environment and/or risks identified in the sector. | ✓ | ✓ | ✓ | ✓ | 2022/23 |
| Governance | Annual review of governance arrangements in place; areas that may be considered include: <ul style="list-style-type: none"> ▲ Performance Management (Organisational) ▲ Value for Money ▲ Governance Structures & Processes ▲ Strategic Planning | | | | | |
| | | ✓ | | | | 2022/23 |
| | | | ✓ | | | - |
| | | | | ✓ | | - |
| | | | | | ✓ | - |

| Internal Audit Coverage | Source / Rationale | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Last Audit Date |
|---|--|---------|---------|---------|----------------|-----------------|
| Visitors Centres | A review of Visitors Centres is planned for each year; however, this will be a cross-cutting, risk-based review of the operation of the Visitors Centre covering such areas as business planning, health and safety, cash handling or other areas as required. The specific scope of the review will be agreed in advance each year. | ✓ | | ✓ | ✓ | 2022/23 |
| Estates Management | This review will aim to provide assurance that the organisation is managing its estates in line with the expectations of the Authority and that key risks are being identified and appropriately mitigated / managed. | | ✓ | | | - |
| IT Coverage | Cyclical coverage of IT control areas including the following: <ul style="list-style-type: none"> ▲ Information & Cyber-Security and Data Protection ▲ IT Strategy ▲ IT Continuity & Disaster Recovery | | ✓ | | | - |
| | | | | ✓ | | - |
| | | ✓ | | | ✓ | 2022/23 |
| | | | | | | |
| HR Coverage | Coverage of HR areas including the following: <ul style="list-style-type: none"> ▲ Sickness Absence Management ▲ Succession Planning ▲ Performance Management (Personnel) ▲ Recruitment & Retention | | | ✓ | | - |
| | | | | | ✓ | - |
| | | | | | → ⁴ | - |
| | | | | | → | - |
| Customer Engagement (incl. consultations) | A review of how the customer voice is heard and incorporated into service planning / development as well as in terms of feedback of current services provided. | | | ✓ | | - |
| Sustainable Development Fund | Cyclical review of how the Authority distributes the SDF and how it ensures compliance with the requirements of the fund and that deliverables are completed. | | | | ✓ | - |

⁴ This symbol indicates an audit area that is to be covered in years beyond the life of this Strategy.

| Internal Audit Coverage | Source / Rationale | 2022/23 | 2023/24 | 2024/25 | 2025/26 | Last Audit Date |
|--------------------------------|---|---------|---------|---------|---------|-----------------|
| Conservation & Nature Recovery | A review of how the Authority is monitoring its conservation and nature recovery objectives with the aim of providing assurance that the monitoring is data-led, backed up by evidence and that performance information reported is accurate. | | | ✓ | | - |
| Safeguarding | Cyclical review of how the Authority ensures its safeguarding responsibilities are met, including at events and through general use of the Authority's facilities. | ✓ | | | → | 2022/23 |
| Planning & Development | A review of how the Authority achieves its planning and development goals and ensures efficiencies in the process in support of the Authority's corporate objectives. | | | | ✓ | - |
| Accessibility & Engagement | Linking with the organisation's Corporate Plan objectives, this review will consider the Authority's activities around enabling accessibility to the National Park's amenities as well as how it engages with stakeholders to achieve its objectives. | | | ✓ | | - |
| Follow Up | To meet the internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations. In year 1 this will include consideration of all outstanding recommendations and an assessment of whether they are still live and their stage of implementation. | ✓ | ✓ | ✓ | ✓ | Annual |
| Added Value Services | <p>We can undertake a number of additional added value services to support the Authority, including:</p> <ul style="list-style-type: none"> ▲ Project Management Support ▲ Project Assurance – including attendance at project meetings as a 'critical friend' ▲ Workshops on specific areas such as risk, projects or strategic / corporate / operational planning ▲ Training <p>These may form part of the formal Internal Audit Plan or may include, for example, pre-Authority / Audit Committee training on particular subject areas. These can be requested at any point throughout the year but may be subject to an additional resource allocation.</p> | - | - | - | - | - |

APPENDIX II: Detailed Internal Audit Plan 2023/24

| Audit | Overview of Internal Audit Coverage | Proposed Timing | Days |
|--|--|-----------------|------|
| Assurance and Advisory Work to Address Specific Risks | | | |
| Income Generation | Follow Up review that will consider how the Authority is responding to the recommendations made by the Wales Audit Office in its Income Diversification Report. | October 2023 | 2 |
| Health & Safety | A series of three spot checks to provide ongoing assurance that the Authority that improvements in health and safety are being implemented in line with the findings made by the Health & Safety Executive (HSE). | October 2023 | 3 |
| Other Internal Audit Input | | | |
| Risk Maturity | A Risk Maturity review will be undertaken to measure the Authority's risk management and assurance processes against a recognised risk maturity framework. The review will enable more effective risk-based future planning and will include opportunities for further enhancing the risk and assurance processes in place. | August 2023 | 3 |
| Key Financial Controls | Review of key financial control areas on a cyclical basis, including the following: General Ledger; Payroll; Creditors; Budgetary Control; Fixed Assets; and Cash & Treasury Management. Coverage of the above areas will be risk-based, taking into account the following: changes to personnel or systems, time since the previous assurance review, changes in the external environment and/or risks identified in the sector. | February 2024 | 2 |
| Governance: Value for Money | This review will consider how the Authority measures and monitors value for money (VfM) across its operations and the plans in place to achieve greater value for money in the future. | October 2023 | 2 |
| Estates Management | This review will aim to provide assurance that the organisation is managing its estates in line with the expectations of the Authority and that key risks are being identified and appropriately mitigated / managed. | February 2024 | 3 |
| Information & Cyber Security and Data Protection | This high-level review will consider the processes and structures the Authority has in place to minimise risks of unauthorised access or alteration to data / information, including personal data in line with Data Protection legislation. Due to the time available this will be a high-level review and will consider how technical assurance, such as penetration testing, is sought by the Authority. | March 2024 | 3 |

| Audit | Overview of Internal Audit Coverage | Proposed Timing | Days |
|---------------|--|-----------------|-----------|
| Follow Up | To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations. In the first year this will include consideration of all outstanding recommendations and an assessment of whether they are still live and their stage of implementation. | February 2024 | 2 |
| Management | This will include: <ul style="list-style-type: none"> ▲ Annual planning; ▲ Preparation for, and attendance at, Audit & Corporate Services Review Committee meetings; ▲ Regular liaison and progress updates; ▲ Liaison with external audit; and ▲ Preparation of the annual internal audit opinion. | Ongoing | 5 |
| TOTAL: | | | 25 |

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