

REPORT OF THE FINANCE MANAGER

SUBJECT:
INTERNAL AUDIT REPORT FOR 2011/12

Introduction

As part of the Authority's Corporate Governance Programme, an audit of all services is carried out on a five year rolling programme by the County Council's Internal Audit Service.

The audit concentrated on:

- Review of Previous Year Agreed Action Plan
- Activities & Events
- Creditors
- Information Governance
 - Freedom of Information (FOI)
 - Data Protection (DP)
- Information Centres
 - Tenby
 - Newport
- Transport

The audit process uses the standard CiPFA auditing guidelines and other best practices with the aim of identifying potential weaknesses in controls. Each of these potential weaknesses is then assessed jointly with the auditors to consider the likely risk and scale of impact, and the alternative controls and potential improvements within the resources of the Authority. In many cases the small size of the organisation limits the opportunities for improvement.

No significant failings have been identified in the latest internal audit programme, although a number of minor improvements have been suggested. The summary of the findings and action plan following the audit is attached.

Recommendation: Members are asked to NOTE this report and the planned actions.

(For further information contact Richard Griffiths – Finance Manager on ext 4815)

PEMBROKESHIRE COUNTY COUNCIL
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Internal Audit Service
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PEMBROKESHIRE COAST NATIONAL PARK AUTHORITY
Internal Audit 2011/12

SECTION 1

1.0 Introduction

In accordance with the internal audit programme and the scope agreed and instructions from officers of the National Park for the 2011/12 financial year, a review has recently been undertaken of the internal controls in operation at the Pembrokeshire Coast National Park Authority – covering the seven different systems and audit areas as detailed below in paragraph 1.1.

The audit was undertaken through detailed review of records provided by the Authority and also through review of previous audit reports, discussion with relevant officers as appropriate, site visits, and compliance testing carried out on the information received. The detailed findings have as previously requested, been split into separate report sections to assist review by the responsible departmental managers; with the executive summary, and action plan summarising the key findings from each of the different audit areas covered by the 2011/12 Internal Audit work.

It is emphasised that Internal Audit reviews necessarily adopt an approach whereby the system and its controls are reviewed rather than individual members of staff who are involved in those procedures. Thus any comments or recommendations made within this report in respect of perceived system weaknesses are not meant as any slight on the integrity of specific individuals.

The recommendations made are suggested control improvements, which have been categorised by their priority: Medium (M) or High (H) in terms of financial and or other risk to the Authority. *There are also a number of lower priority areas where it has been more appropriate for suggestions for improvement or best practice to be included in Italics, rather than a formal recommendation. These should not be ignored however and consideration should also be given to actioning these.* It must be borne in mind that the following report contains several recommendations but these relate to the seven different audit areas which have been reviewed, in effect individual audit assignments under the umbrella of the engagement brief.

1.1 Scope & Purpose

To test and evaluate the systems of control in operation, determine any weaknesses and suggest any improvements that would strengthen the control environment.

The review covered the systems and procedures in operation for: -

- Activities & Events
- Creditors
- Information Governance
 - Freedom of Information (FOI)
 - Data Protection (DP)
- Information Centres
 - Tenby
 - Newport
- Transport

The action to date in respect of previous year audit recommendations has also been reviewed as part of the audit. At the request of officers, advice in relation to the Annual Governance Statement was also provided during the audit.

1.2 Executive Summary

1.2.1 Action on Previous Year Recommendations

It is good to report that action had been completed as planned on nine of the eleven recommendations made in the 2010/11 internal audit report, with action pending which will resolve one further issue, while changes in process mean the one other issue will no longer be applicable; no additional action points relating to the 2010/11 audit have therefore been required.

1.2.2 Activities & Events

Satisfactory levels of control are in place for the activities and events service, with a number of improvements having been implemented over recent times. As such only one priority recommendation has been made in regard to the need for an income reconciliation process between the A & E database and the QLx ledger. Lesser priority issues relate to the potential extension of procedures, and the issuing of receipts.

1.2.3 Creditors

Overall, controls within the Creditors function continue to operate to a satisfactory standard. A small number of areas were identified where there may be scope for further improvement.

New bank details provided by suppliers are required in writing but no independent confirmation of these details by PCNPA is currently sought. New/changes to bank details can be entered onto the system by any one of the Finance Officers, and although supported changes are verified at the time by another officer (both sign to evidence) the current checks do not confirm that other potentially unverified changes have not been input.

The audit also identified that one Finance Officer is responsible for the majority of the performance monitoring; this employee was on leave at the time of the audit and other employees were unaware of how this information could be located. It is important that contingency arrangements are in place.

It was also noted that orders are not always being raised by departments at the time of ordering (preferring to wait until after the invoice has been received). As per the Authority's Financial Standards (No.79) Orders must be raised at the time of ordering to formally acknowledge the Authority has entered into a contract, and so that the commitment can be entered into the Authority's budget accounts; it also allows invoices to be reconciled to orders to assist with the identification of potential duplicate invoices.

1.2.4 Freedom of Information (FOI) and Data Protection (DP)

Through self assessment questionnaires, discussion, and limited testing, it was noted that reasonable controls appeared to be in place to manage requests received under both the Freedom of Information and Data Protection Acts. However three priority recommendations have been made in regard to: the need for Authority policies covering Records Management, Information Classification, and Data Retention; the need for Freedom of Information guidance to be included on the Authority website; and a review of the Data Protection Register to ensure all known uses of personal

information are adequately set out. Two other recommendations have also been made relating to the need for: wider distribution of guidance notes; and for information on potential fees and charges relating to FOI requests. A small number of other lower priority issues and/or good practice points have also been made.

The small number of FOI requests received by PCNPA (averaging approximately 14 per annum), and the absence to date of any notable issues and/or requests for information under the Data Protection Act do obviously need to be borne in mind; as the requirements and guidelines that need to be followed are the same regardless of the level of activity however, the importance of good control in this area remains significant.

1.2.5 Information Centres

Overall, the controls relating to the Authority's Information Centres are satisfactory (given their size); a small number of opportunities for further improvement have been identified.

At Tenby, the income summary sheet was not being completed correctly in the card or cash breakdown to show the split between Tenby income and Activities & Events income; Finance had made adjustments for card payments but for cash payments, Activities & Events income had been coded to the Tenby budget (Internal Audit was informed by Finance that this totalled just over £100). This may also be an issue at other Centres (though it was not specifically identified at Newport as sample weeks tested did not include Activities & Events income).

At Tenby, timesheet testing identified that additional hours worked were not always easy to trail whilst testing at Newport identified that employees were not always signing the timesheets to confirm their hours as correct. Variations between the two centres in terms of the hours given for a full day were also noted.

Documented procedures were available at Tenby but these have not been reviewed for a number of years; at Newport a brief procedural document was in place. It would be beneficial to document procedures for use at all Information Centres; these can then be used as a point of contact, to assist with training seasonal employees and assist with any contingency arrangements.

Other issues noted included the need to ensure individual funds are kept separate (at Tenby the donations fund had been used to supplement the petty cash), the need for an inventory at Newport, and the need for a CCTV Policy at Tenby.

1.2.6 Transport

Although areas of good practice were noted, several control weaknesses were identified in relation to transport management; as such recommendations have been made in the following areas: Licence & insurance checking, file management, use of the driver's handbook, servicing SLA'S, costing and the use of performance management information to ensure value for money, and the proactive monitoring of lease agreements - a number of which have expired. A handful of other lower priority issues have also been noted.

SECTION 2 – REVIEW OF PREVIOUS YEAR AGREED ACTION PLAN

2.1 2010/11 Audit Recommendations

Assurance was given during the audit via the Finance Manager, and IT Manager where appropriate, with evidence also collected where practical, that action and/or further consideration has now been taken in response to each of the recommendations made in the 2010/11 internal audit report. (See Appendix A for full details of the previous year action plan with an update on the current status of all recommendations).

It was good to note that the planned action on 9 of the 11 recommendations had been fully completed and that action in relation to the other 2 was either pending or no longer applicable. As such no additional action points have been raised in relation to the 2010/11 Internal Audit Report.

The 1 recommendation where action from the 2010/11 audit remains pending is:

Recommendation 1 – Samstock System (10/11): *A consistent approach should be in place with respect of raising official orders for stock items (between the two systems in place).*

Update (Nov 2011): *This was reviewed, though as a fully integrated system replacing the stock system and ledger is planned for during 2012/13 no change has been made as yet.*

The 1 recommendation where action from the 2010/11 audit is no longer applicable is:

Recommendation 10 – SDF Grant (11/12): *Evidence of supervisory checks should be clearly recorded to confirm that the SDF grant administration process is completed in line with policy and expected practices.*

Update (Nov 2011): *Given the move from grant funding to settlement funding for SDF (from 2012/13), the responsible officers believe that current management arrangements where supervisory checks are undertaken but not evidenced specifically in line with grant requirement are satisfactory for purpose.*

PEMBROKESHIRE COAST NATIONAL PARK – PREVIOUS AUDIT (2010/11) ACTION PLAN FOLLOW UP

No.	Recommendations – Pembrokeshire Coast National Park 2010-11	Action Planned • By Who / Date	Action to Date (November 2011)
R.1	A consistent approach should be in place with respect of raising official orders for stock items (between the two systems in place).	We will review the possibility of using a single system for control stock transfers between sites • Centre Manager / Finance Manager Spring 2011	This was reviewed, though as a fully integrated system replacing the stock system and ledger is planned for during 2012/13 no change has been made as yet.
R.2	The product range should be reviewed and streamlined (if the facility is available to archive product masterfile records).	In order to preserve records, we will create a 'redundant stock' folder within Samstock to accommodate stock that will not be ordered again. • Jan 11 Centre Manager	It was stated that the redundant stock is now separately accounted for.
R.3	It is good practice to ensure that mini/rolling stock checks are carried out throughout the year. This process should be evidenced as should any discrepancies and investigations resulting from this.	Quarterly sample checks of jewellery and 2 other lines will be made. Main stock check in March so others to be scheduled for July, October and January • From July 11 Centre Manager	It was confirmed during the Information Centre visits that Rolling Stock checks are now being undertaken
R.4	The stock which has been written off should be destroyed (in accord with the Disposal of Surplus Assets procedure). Thereafter a procedure should be agreed to dispose of damaged stock at least annually (or discount it appropriately).	Current stock to be disposed of and signed off by two officers. To be carried out every March • From March 11 Centre Manager	It was evidenced in the minutes of the Commercial group, that write off reports are now to be completed.
R.5	Where there is any retail value to the written off damaged stock the merits of selling these off should be discussed with the Finance Manager – products should be bought back into stock and clearly marked as damaged goods.	We now have a 'bargain basket' in place in Tenby for this purpose. These are single low cost items which can be brought back into stock (if they have been written off) via the 'Salvagable Stock' 'Supplier'. • Centre Manager / Finance Manager Jan 2011	It was evidenced in the minutes of the Commercial group, that a process for management of damaged stock has now been agreed.

No.	Recommendations – Pembrokeshire Coast National Park 2010-11	Action Planned • By Who / Date	Action to Date (November 2011)
R.6	The Manager should ensure that appropriate approval is sought to reduce slower moving stock items. There is a procedure for discounting stock within the Samstock manual – this should be followed.	Already do discount stock that is slow moving. Discounting to be discussed with colleagues at Commercial Group meetings when appropriate • Centre Managers Jan 2011	It was evidenced in the minutes of the Commercial group, that a process for management of slow moving stock has now been agreed.
R.7	In line with PCNPA Financial Standards it needs to be ensured no SDF expenditure is committed for future years prior to the formal grant offer being received from WAG.	SDF application form states that although funding can be requested for more than one year “WAG funding has not been confirmed beyond” the current year. We will ensure that applicants are aware of this disclaimer and its implications. • SDF Administrator immediate effect	The application form has now been amended to reflect this. From 2012-13 however the grant will be included as part of settlement funding and as such the Authority will not be governed by the existing grant conditions and may therefore be able to extend funding as it sees appropriate.
R.8	Given the significant/growing SDF expenditure commitments for previous year projects, assurance needs to be sought that drawdown of funding for these projects will continue to be available.	We have been in consultation with WAG officials to formalise the status of the funding for delayed projects. SDF Administrator • Dec 2010 and Jan 2011	WAG were consulted and after initial rejection of extensions revised their view to allow the extended drawdown periods for existing projects. (From 2012/13 as above decision will then be in house).
R.9	A record should be included on file confirming the correct recipient has been paid the right amount on a timely basis.	Copy of the remittance advice will be placed on the project file • Finance and SDF Administrator Jan 2011	These are now included.
R.10	<i>Evidence of supervisory checks should be clearly recorded to confirm that the SDF grant administration process is completed in line with policy and expected practices (M).</i>	<i>Payments currently audited by Finance Officers. Requests for payment are authorised by SDF Administrator Line Manager. Although there is no documentary evidence to support this, there is continuous dialogue regarding day to day management of the fund and associated issues.</i> • SDF Administrator and Business Manager will review procedures with immediate effect	<i>Given the move from grant funding to settlement funding for the Sustainable Development Fund (from 2012/13), the responsible officers believe that current management arrangements where supervisory checks are undertaken but not evidenced specifically in line with grant requirement are satisfactory for purpose.</i>

No.	Recommendations – Pembrokeshire Coast National Park 2010-11	Action Planned • By Who / Date	Action to Date (November 2011)
R.11	<p>Each of the suggested/good practice points noted in relation to IT should now be considered further by the senior officers responsible for the IT service, together with the Authority's Section 151 officer.</p> <p>PC Controls:</p> <ul style="list-style-type: none"> • <i>Reminder to managers particularly those employing seasonal staff of the need to inform IT when new employee commencing</i> • <i>Leaver procedures should be completed and communicated to all officers, helping ensure that IT is then notified and systems promptly updated.</i> • <i>Physical security of all publicly accessible IT equipment should be ensured.</i> • <i>Need for users to lock (or log off) PC's when not using them and for auto lock to also be applied. (Data security controls being potentially more important than physical security controls)</i> • <i>Disaster Recovery procedures to be fully completed</i> <p>File Controls:</p> <ul style="list-style-type: none"> • <i>Further staff guidance/training to improve data management</i> • <i>As read only access still allows copying of data, access to any potentially sensitive information should be limited to only those officers who need it.</i> • <i>System Administration access levels should be reviewed, ideally individual usernames should be set up, with a reduced number of system administrators.</i> • <i>System logs should be turned on to provide a clear audit trail (particularly in event of a problem), and allow periodic monitoring to ensure unexpected access/action is not occurring.</i> • <i>Monitoring of software use and reconciliation with licence agreements needs to be completed at earliest opportunity.</i> <p>Internet Controls:</p> <ul style="list-style-type: none"> • <i>If audit assurance is required on user compliance with the ICT User Policy (including Internet / Email use) proactive monitoring would be needed (with the current ICT user policy revised, and also potentially expanded in certain areas).</i> • <i>The access and insurance arrangements of IT contractors / providers in relation to Authority systems should be confirmed.</i> <p>Firewall Controls:</p> <ul style="list-style-type: none"> • <i>The partially completed firewall policy documents should be fully completed.</i> • <i>Monitoring of attempts to breach the firewall should be undertaken as far as is practical.</i> • <i>Good practice to check sufficient battery back up in line with risk assessment.</i> 	<p>These points will be considered by IT Manager, Head of Business Management & S151 Officer, and an action plan drawn up to implement suggestions.</p> <ul style="list-style-type: none"> • 2011 	<p>A detailed response was provided by the IT Manager to each of the suggested/good practice points raised, evidencing that all the issues had been considered, and indicating that where action was to be taken this had also now been achieved.</p>

PEMBROKESHIRE COAST NATIONAL PARK 2011/12 ACTION PLAN

No.	Recommendations – Pembrokeshire Coast National Park 2010-11	Priority	Accept / Reject	Action Planned	Who / Date
Activities & Events					
R.1	Documented procedures should be extended to cover use of the A&E database, and end of year appraisal.	Medium	Accept	Procedures for A and E database and end of year statistical analysis to be written up and added to A and E Procedures file.	Discovery Ranger with responsibility for A and E. December 2011
R.2	In accord with Financial Standard 110 receipts should be issued for income at the point it is collected. It is good practice to receipt all income in particular cash transactions.	Medium	Accept	All Activity leaders will be told to issue receipts and issued with receipt books.	Discovery Ranger with responsibility for A and E. Pre season briefing March 2012
R.3	There must be a reconciliation process between the A & E database and the QLx ledger – this process should be evidenced and any significant discrepancies followed up.	High	Accept	An investigation of the discrepancies uncovered is currently underway. New procedures will be written to ensure that a reconciliation process between the A and E database and the QLX ledger occurs on a regular basis.	A and E Manager January 2012
Creditors					
R.4	Consideration should be given to introducing authorisation limits for officers in line with recommended practice.	Low	Accept	We agree with officers having authorisation limits and that orders must be dated at the time of being raised rather than after.	Finance Manager 2012
R.5	Orders should be raised at the time of ordering rather than after invoices have been received in order that invoices can be reconciled to orders and to assist with the identification of duplicate invoices.	Medium	Accept	Accept recommendation unequivocally	Finance Manager immediate
R.6	New bank details provided by suppliers should be independently confirmed to ensure they are legitimate.	Medium	Accept	Amendments are current signed by two members of the finance team. None theless where amendment come from vendors whose annual supply is over a certain value we will make a telephone confirmation for the change of details. A threshold will be set after a review of suppliers	Finance Manager 2012
R.7	The monthly review of records amended on the system needs to ensure that all amendments are adequately supported, and/or have been independently verified, to ensure all changes made to account details are legitimate (M)	Medium	Partially Accept	As part of the month closure routine the Finance Manager does an online check of all amendments made in the period. We will consult with software supplier to try to make this process more transparent.	Finance Manager 2012

No.	Recommendations – Pembrokeshire Coast National Park 2010-11	Priority	Accept / Reject	Action Planned	Who / Date
R.8	Contingency arrangements should be put in place for the production and review of performance monitoring; evidence of review of these reports should also be documented and maintained.	Medium	Agree	Procedures/Instructions are being put in place so all Finance officers are able to generate the reports.	Finance Manager immediate
Freedom Of Information (FOI) and Data Protection (DP)					
R.9	Reference to the Freedom of Information Act should be included on the Authority's website, ideally including: <ul style="list-style-type: none"> • A link to the adopted Publication scheme, • Detail on how the website A-Z acts as the guide to information, • Guidelines on how an FOI request can be made to the Authority. The PCNPA Data Protection Policy should also be included on the Authority website.	High	Accept	Already actioned	N/A
R.10	Staff guidance notes (and policies as applicable) for both FOI and DP should be referred to in both the staff handbook and induction documents.	Medium	Accept	Will be introduced when next updated	AH/JS
R.11	In line with ICO suggested practice, policies for Records Management, Information Classification, and Data Retention (including disposal and destruction) should be implemented, with compliance monitoring subsequently undertaken.	High	Accept	Already identified as required,	AH/MD during 2012
R.12	Information on potential fees and charges payable by the public in relation to FOI requests (above the £450 threshold) should be produced and publicised on the Authority website (and/or any associated FOI literature produced).	Medium	Partially Accept	In the event of requests resulting in charges the applicant will be informed, however low level and nature of requests do not justify this	N/A
R.13	The purposes currently included in the Data Protection Register submitted to the Information Commissioner should be reviewed to ensure these fully reflect all known uses of Personal Information. Prior to annual submission of the Register departmental managers should also be asked to confirm then if there have been any changes to the information held and/or the purposes for which it is used.	High	Accept	Will be introduced	AH 2012

No.	Recommendations – Pembrokeshire Coast National Park 2010-11	Priority	Accept / Reject	Action Planned	Who / Date
Information Centres					
R.14	Documented procedures covering all Information Centres should be developed to be used as a point of reference and form part of any contingency arrangements (any documented procedures already in place at Centres could form the basis of these procedures); procedures should then be reviewed on a regular basis to ensure they remain relevant.	Medium	Accept	Procedure already in place at centres, (although vary from site to site to serve local requirements). Each will be reviewed when appropriate and shared between sites	Tenby – JW by 1 st April 2012
R.15	The breakdown of income taken at the Centre should be shown clearly on the summary sheet (ensuring Activities & Events income is separated from Tenby income) to assist Finance and ensure income is coded correctly – further guidance can be sought from the Finance department. The anomalies identified should now be followed up and appropriate action taken.	Medium	Accept	A meeting will be arranged with centre managers and a member of the Finance team to standardise the forms used by all NP centres and to address the R.2 issues. (See Commercial Group minutes 1/12/11)	Emma Bowen. Meeting for Jan 2012
R.16	Additional hours worked should be clearly recorded on timesheets in order to provide a clear audit trail.	Medium	Accept	Data collection sheet to be amended to show additional hours more clearly. To be discussed at the meeting above to ensure consistency across sites.	JW by 31 st Dec 2011
R.17	A consistent approach regarding payment for a full working day should be applied across all Information Centres.	High	Accept	7.5 hours to become 7.4 hours at Tenby by lengthening lunch break when summer hours re-commence.	JW 1 st April 2011-11-30
R.18	All funds should be kept separate and not used to supplement one another. If petty cash funds are not sufficient then the possibility of claiming more regularly or increasing the float should be considered.	Medium	Accept	No supplementing of petty cash in future. (May result in delays in some payments). Additional float not requested as it adds to daily set-up and cash up time.	Immediate effect
R.19	To help ensure compliance with the requirements of the Data Protection Act a CCTV Policy covering Tenby Information Centre needs to be established at the earliest opportunity.	High	Accept	A generic PCNP template exists. Copy will be adapted for, then held at Tenby	JW by 31 st Jan 2012
R.20	It should be ensured that the VAT status of each stock item is recorded correctly to ensure VAT is only accounted for where applicable.	Medium	Accept	VAT status of all items will be checked	Site Manager Dec 2011
R.21	Employees should sign the timesheets to confirm their hours as correct.	Medium	Accept	Signed hard copies will be kept on file	Site Manager Dec 2011
R.22	An inventory should now be drawn up for Newport Information Centre and this should be updated regularly (ideally as any significant changes occur) (M)	Medium	Accept	Done	Site Manager Dec 2011

No.	Recommendations – Pembrokeshire Coast National Park 2010-11	Priority	Accept / Reject	Action Planned	Who / Date
Transport					
R.23	The observations noted should be incorporated into the driver's handbook to further enhance this document. Also it would be good practice to draw up a guidance note for the hiring of vehicles which should be made available to all relevant staff at the time of requesting a hire vehicle.	Medium	Accept	New vehicle fleet policy is being prepared and handbook will be updated to include these suggestions	AH Dec 2012
R.24	Given that the Service Manager is due to retire early next year it is important to ensure that all his roles and responsibilities are fully documented.	High	Accept	Has already commenced this	HB Jan 2012
R.25	It is important that all key documentation is held in the relevant vehicle files, and that these files are securely retained. (Consideration may wish to be given to sectionalising the files to make locating documents easier e.g., appraisal, ordering, lease copy etc.)	Medium	Accept	Already actioned	
R.26	There must be a system in place to ensure all relevant employees' licences are checked periodically. There should also be a process in place to check the insurance policies where employees are using their own vehicles.	Medium	Accept	Partly in place but regular inspection process required	During 2012
R.27	A service level agreement to cover the arrangement for vehicle maintenance provided by Pembrokeshire County Council should be considered.	Medium	Accept	Meeting arranged with Hubert Mathias & Gerald Rowlands of PPC Transport Dept this and other issues. PCC will send some sample SLAs for PCNPA to consider.	Head of Performance Management Dec 2011
R.28	It would be good practice to ensure that appropriate performance management systems are in place. The existing spreadsheet could be enhanced to include vehicle analysis and performance to ensure that value for money is being achieved.	Medium	Accept	We will look into recording this data and evaluate it's usefulness with users. It may prove that the cost in data collection is too onerous.	Finance Dept 2012
R.29	A decision should be made as soon as possible with regard the vehicles where the leases have expired.	Medium	Partially Accept	Decisions are already made as soon as practical based on specific vehicle user requirements. Current organisation restructure has meant a number of leases are being held over. Where leases are extended for long periods this is made after checking cost of new lease – usually more expensive than existing lease. We will however consult with the leasing companies regarding the charges on extended leases.	Finance Dept 2012