

REPORT OF FINANCE MANAGER

SUBJECT: INTERNAL AUDIT 2014/15

Introduction

There is a statutory requirement for an Internal Audit service in National Park Authorities. This is implied in Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. The Accounts and Audit Regulations (Wales) 2005 (as amended by the Accounts and Audit Regulations (Wales) 2010) place a responsibility on the authority to maintain, amongst other things, an internal audit function. The Public Sector Internal Audit Standards (“the Standards”) came into force on 1 April 2013, to supersede the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006 (“the Code of Practice”).

The Internal Audit service for Pembrokeshire Coast National Park Authority is currently provided by Pembrokeshire Council’s Internal Audit Section. Although the service is undertaken by external providers, it provides a service for the whole authority as a management tool to inform and improve internal control, and offers the “Section 151 Officer” of the Authority (the Chief Finance Officer) the necessary assurance as required by law.

The appropriate use of those resources available to the Park Authority is essential in order to ensure that the quality of the services provided is of a high standard. The aims of the Internal Audit service is to provide assurance to the Chief Finance Officer, and consequently to whole Authority, that those resources which are available are managed and used appropriately, with transparency.

SUMMARY OF THE 2013/14 AUDIT

The full Audit report was discussed by the Audit & Corporate Services Review Committee in February and to recap the audit concentrated on:

- Follow Up of Previous Audit (2012-13) Action Plan
- Creditor Computer Assisted Audit Techniques (CAATS)
- Conservation Area Grants (CAG)
- IT Risk
- Employee Costs
- National Trail

No significant failings were identified in the 2013/14 internal audit, although a number of minor improvements have been suggested and follow up actions taken.

INTERNAL AUDIT PLAN 2014/15

An Internal Audit plan for 2014/15 has been developed on the basis of the Internal Audit Charter. The Standards that came into effect in April 2013 define Internal Audit 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”.

The plan has been prepared on the basis of meetings between the Chief Audit Executive, the Chief Executive, Director of Park Direction and Planning, Director of Delivery and Discovery, The Business & Performance Manager and the Finance Manager. On the basis of analysis of risks, discussions with officers of the Authority and consideration of the most recent audits in some areas the following is proposed as the internal audit plan for 2014/15:

- Finance Management System (New)
- Payroll & Expenses
- Debtors
- Grant Funding Arrangements
- Information Governance
- Car Parks
- Cilrhedyn Woodland Centre
- Newport Information Centre
- Carew Castle (New Manager – Procedure Review Only)
- Implementation of Recommendations (follow-up)

The audit is expected to commence on Monday 3rd November 2014 and last approximately 2 weeks.

2015/16 to 2017/18 Audit Provision

In collaboration with Brecon Beacons National Park Authority a joint tendering exercise is currently underway with a few of appointing Internal Auditors and a Chief Audit Executive for a 3 year period commencing April 2015. It is anticipated that the contract will be awarded within the next few months. (See Appendix)

RECOMMENDATIONS

The committee is requested to note the Audit Plan for the 2014/15 accounting period and the proposed tendering for internal audit provision for the years 2014/15 thru 2017/18.

Appendix

Tender for the provision of internal audit services to Brecon Beacons National Park and Pembrokeshire Coast National Park Authorities

Service Requirements

Introduction

Brecon Beacons National Park and Pembrokeshire Coast National Park Authorities (the Authorities) are single-purpose local authorities, established by the Environment (Wales) Act 1995. Both Authorities' financial accounting, audit and internal control arrangements are governed by the Accounts and Audit (Wales) Regulations, the Public Sector Internal Audit Standards and the CIPFA Code of Practice, with accounting periods from 1 April to 31 March. Service provision will be under a separate contract with each Authority and consideration will be given where a potential provider wishes to quote for a single Authority only.

The Authorities' Chief Financial Officers, appointed in accordance with S151 of the Local Government Act 1972, are responsible for ensuring that there are effective arrangements for internal audit.

Brecon Beacons National Park Authority have an Audit and Scrutiny Committee and Pembrokeshire Coast National Park Authority an Audit and Corporate Service Review Committee which receive all internal audit reports, review and approve the annual audit plan and monitor the actions taken by management to address issues raised by both internal and external audits. For both Authorities, the Wales Audit Office is the external auditor, reviewing the annual Statement of Accounts, the Governance Statement and performance management systems.

For further information about the respective National Park Authorities' work, governance arrangements, Statements of Accounts and statutory external audit reports to the Authority, please go to the relevant Authority's website: www.beacons-npa.gov.uk or www.pembrokeshirecoast.org.uk

The Authorities each require an estimated **25 audit days per annum**, including an allowance for the performance of the role of Chief Audit Executive, preparation of the annual audit plan and attendance at the Authorities' Audit and Scrutiny/Review Committees. The number of days per year will be kept under review but is not expected to vary greatly from this level. The Authorities intend to contract for internal audit services for a period of **3 years** from 1st April 2015. Details of the daily charge, any additional costs which may be chargeable and a total annual price for each of the 3 years of the contract per Authority should be provided.

The service specification which follows is currently expected to meet the internal audit needs of the Authorities. Significant variations in these levels of service will be subject to further negotiation. By submitting a tender for provision of Internal Audit Services, contractors will confirm that they are able to provide the full service specified below, unless specific exclusions are noted on the tender submission form. Details of appropriate local authority and other relevant experience, plus two referees should be submitted with the tender document.

Tender Submission Requirements Summary

Deadline for submission of tenders: 12:00 noon on Friday 21 November 2014

Interviews with shortlisted suppliers will be held on Tuesday 9 February 2014

Format of tender: Please complete the form provided on page 13 of this document, and supply details of relevant experience and audit approach together with examples of the format of an audit brief and final audit report.

Supporting documentation as requested on page 13 should also be provided.

Separate tenders for each Authority should be submitted either electronically via the Sell2Wales post-box or in an envelope which does not identify the sender, is clearly marked:

TENDER: INTERNAL AUDIT SERVICES

and is addressed to the:

Finance Manager
Pembrokeshire Coast National Park Authority
Llanion Park
Llanion
PEMBROKE DOCK
Pembs
SA72 6DY

Evaluation Criteria: The most economically advantageous tenders will be shortlisted, taking into account price, the quality of submission and appropriate experience. Final selection of the service provider will be by interview.

SERVICE SPECIFICATION

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1 Overview

- 1.1 The Authority's Chief Audit Executive will be responsible for the independent appraisal of all the Authority's internal controls and activities, financial and otherwise. They should provide a service to the whole of the Authority, including its Members and all levels of management. Internal Audit is not an extension of, nor a substitute for, good management of the Authority and Services although it can have a role in advising those with management responsibilities.
- 1.2 The Chief Audit Executive will be responsible for giving assurance to the Members of the Authority, the Chief Executive and the Section 151 Officer on the adequacy and effectiveness of the Authority's risk management, control and governance processes. It will assist managers by evaluating and reporting to them on the effectiveness of the controls for which they are responsible. This work contributes to the opinion that Internal audit provides on risk management, control and governance processes.
- 1.3 It will remain the duty of management within the Authority to operate adequate systems of risk management, control and governance. It is for the Authority and the Service's senior managers to determine whether or not to act on internal audit findings and to recognise and accept any risks of not taking action.

2 Scope

- 2.1 All the Authorities' activities, funded from whatever source, fall within the remit of internal audit who may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that managers have taken the necessary steps to achieve these objectives and manage the associated risks. The scope of audit work shall cover operational and management controls and shall not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. Internal audit shall

devote particular attention to any aspects of risk management, control and governance processes affected by material changes to the Authorities' risk environment.

2.2 The systems of control subject to internal audit work also shall include those systems of control operated by contractors of the Authorities who provide any service that handles or processes the Authorities' finances or management information in any form.

2.3 It is not within the remit of internal audit to question the appropriateness of policy decisions. However, internal audit is required to examine the arrangements by which such decisions are made, monitored and reviewed.

2.4 Internal audit may also be required to conduct any special reviews or investigations approved by the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review) Committee (PCNPA) , the S151 Officer or Chief Executive, provided such reviews do not compromise internal audit objectivity or independence or their ability to complete sufficient assurance work to produce the annual internal audit opinion. In such circumstances, any additional costs must be negotiated and agreed prior to undertaking the special review or investigation.

4 Responsibilities

4.1 The Chief Audit Executive is required to give an annual opinion to the members of the Authority, through the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review) Committee (PCNPA), on the adequacy and effectiveness of the Authorities' risk management, control and governance processes. The Chief Audit Executive shall also comment on other activities for which the members of the Authority are responsible, and to which Internal audit has access. This assurance is also required in support of:

- The Section 151 Officer responsibilities [under the Local Government Act 1972], which requires the officer to make arrangements for the proper administration of an Authority's financial affairs
- The Monitoring Officer's responsibility for reviewing annually the effectiveness of, and compliance with the Authorities' Codes of Corporate Governance.

4.2 Internal audit fulfils its remit through review and evaluation of risk management, control and governance processes. These comprise the policies, procedures and operations in place to:

- establish and monitor the achievement of each Authority's objectives
- identify, assess and manage the risks to achieving each Authority's objectives
- evaluate and advise on policy in accordance with the roles and responsibilities of the Section 151 Officer.
- ensure the economical, effective and efficient use of resources
- ensure compliance with established policies, procedures, laws and regulations
- safeguard the Authorities' assets and interests from losses of all kinds including those arising from fraud, irregularity and corruption, and

- ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

5 Standards and approach

5.1 Internal audit work will be performed with due professional care, in accordance with the standards and requirements of the 'Public Sector Internal Audit Standards'. The work shall comply in all material respects with these recognised auditing standards. Internal audit shall also have regard to advice provided by professional auditing and accountancy bodies.

5.2 In achieving its objectives, internal audit shall develop and implement an audit strategy that assesses the Authorities' risk management, control and governance processes.

6 Independence

6.1 Internal audit has no executive role, nor does it have any responsibility for the development, implementation or operation of policies or systems. However, it may provide independent and objective advice on risk management, internal and financial controls, governance processes and related matters, subject to resource constraints.

For day to day administrative purposes, internal audit will liaise with the Finance Manager.

Internal audit has a right of direct access to the Chair of the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review Committee (PCNPA) , the Chair of the Authority, the Section 151 Officer and the Monitoring Officer.

6.2 The Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review Committee (PCNPA) advises the members of each Authority on all matters concerning internal control. Responsibility for the Authorities' risk management, control and governance processes rests with the members of each Authority and its management. To preserve the objectivity and impartiality of internal audit professional judgement, responsibility for taking action in respect of internal audit findings rests with managers in consultation with Members.

7 Access and liaison

7.1 The Chief Audit Executive shall have unrestricted access to all documents, records, assets, personnel and premises of the Authority, and be authorised to obtain such information and explanations as they consider necessary to form their opinion.

7.2 In turn, Internal audit agrees to comply with any requests from the Authorities' external auditors for access to any information, files or working papers obtained or prepared during audit work that they need to discharge their responsibilities as the financial statements auditors.

7.3 Internal audit shall liaise with the Authorities' external auditors to enhance the level of service it provides to the Authorities' management.

8 Reporting arrangements for each Authority

8.1 The Chief Audit Executive shall prepare, before the beginning of each financial year, an Annual Audit Plan document supported by:

- an assessment of audit risks across the Authority
- a summary of audits carried out during the past year including the number of estimated days and actual days required for each audit.
- details of any outstanding or part-completed audits to be carried forward to the new financial year

The Annual Audit Plan will be submitted to the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review Committee (PCNPA) for approval following consultation with the Section 151 Officer and Chief Executive.

8.2 Prior to undertaking an audit included in the approved Annual Audit Plan, internal audit must discuss the scope of the audit coverage, the objectives and timescale. These will be agreed by the Chief Executive and other members of the Core Management Team, in consultation with their Section 151 Officer.

8.3 Following completion of the individual audits, the Chief Audit Executive should produce a draft written report within 2 weeks, giving an opinion on the area reviewed and highlighting issues requiring management attention with an indication of the degree of risk attached to each issue. This should be circulated to the appropriate responsible officer, the relevant Director, the Section 151 Officer and the Chief Executive.

The designated responsible manager will be required to respond to the report, usually within 2 weeks of issue, identifying proposed actions, a responsible officer and a target completion date. The Chief Audit Executive should retain a record of any correspondence or discussion held with the responsible officer relating to the factual content of the audit or issues identified and make this available to the Chief Executive, Section 151 Officer, Monitoring Officer or Audit and Scrutiny Committee/ Audit & Corporate Services Review Committee on request.

The final version of the report and action plan will be reviewed by the Chief Executive and Corporate Management Team before it is presented to the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review Committee (PCNPA).

8.4 Performance monitoring: The Chief Audit Executive is accountable to the Section 151 Officer, the Chief Executive and the members of the Authority through the responsible Committee for the performance of internal audit. The provider will supply, with each quarterly invoice, a summary of actual against planned audits carried out during the current financial year and the actual and planned audit days allocated.

8.5 The Chief Audit Executive will submit an annual report to the Chief Executive, Section 151 Officer and Members of the Authority. A representative of the internal audit provider will be required to present the report to the meeting of the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review Committee (PCNPA). The report will include an opinion on the level of assurance provided to members by each Authority's risk management, control and governance processes and on its arrangements for securing best value. It will inform members' annual review and endorsement of the Corporate Governance Statement. It should include:

- notice of any issues that the internal audit provider judges relevant to the preparation of the Annual Governance Statement such as an analysis of common or significant weaknesses or details of any major internal audit findings where action appears to be desirable but has not been taken
- a comparison of internal audit activity during the year with that planned

8.6 The annual report will be reviewed with the Chief Executive and Section 151 Officer prior to submission to the the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review Committee (PCNPA).

9 Irregularities, including fraud and corruption

9.1 The Chief Audit Executive shall without delay report to the Chief Executive, the Section 151 Officer, Monitoring Officer and Chairman of the Audit and Scrutiny Committee (BBNPA) / Audit & Corporate Services Review Committee (PCNPA), serious weaknesses, significant fraud, major accounting and other breakdowns. Any action to be undertaken by internal audit in such cases must be agreed and approved by the relevant Chief Executive, in consultation with the Monitoring Officer, the Section 151 Officer and with the Authorities' external auditors.

9.2 The Chief Audit Executive shall be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered and:

- consider the adequacy of the relevant controls
- evaluate the implication of the fraud on the risk management, control and governance processes, and
- make recommendations as appropriate.

10 Requirements of Management

10.1 Each Authority's Chief Executive and Section 151 Officer will facilitate the work of the internal audit provider by;

- keeping the internal audit provider informed of major issues which may affect the audit plan
- Ensuring that appropriate staff are available at the start of each visit to discuss the scope and objectives of the audit and any particular concerns
- ensuring that adequate facilities are is available for visiting auditors,
- ensuring that key staff, records and systems are accessible at each visit / review
- being available at the end of each visit / review to discuss findings and the requirement for management action
- confirming the factual accuracy of a draft report and ensuring a prompt management response to all findings before the final report is issued.
- notifying the Chief Audit Executive of all suspected cases of fraud or irregularity.

- providing the Chief Audit Executive with copies of documents issued by the Authority's external auditors on request.
- Facilitating contact between the internal audit provider and the responsible Committee.
- Providing full cooperation and appropriate facilities to enable internal audit to function to the highest professional standards.

11 Ownership of documentation

11.1 Internal audit reports and supporting documentation, which demonstrate compliance with the Public Sector Internal Audit Standards, remain the property of Brecon Beacons National Park Authority/Pembrokeshire Coast National Park Authority

11.2 All audit files should be retained for a period of four years (three years plus the current year) except for those papers used in the course of a fraud investigation which will be retained for a period of six years after legal proceedings have been completed. An annual programme will be put in place for the secure destruction of files once this time has elapsed. This policy will be applied to any files relating to the internal audit of each Authority unless alternative arrangements are agreed in writing and arrangements are made for the suitable transfer of files to the Authority after the relevant period has elapsed.

12 Electronic communication

12.1 Internal audit and the Authority will communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure or free of viruses or error and such information could arrive late or incomplete, be intercepted, corrupted, lost, destroyed, or otherwise be adversely affected or unsafe to use. No systems or procedures can guarantee that transmissions will be unaffected by such hazards. Appropriate steps should be taken to safeguard confidential and sensitive data transmitted by electronic means.

12.2 Internal audit and each Authority accept the risks of electronic communications between each other. Each agrees to use commercially reasonable procedures to check for the most commonly known viruses before sending information electronically. Each shall be responsible for protecting its own systems and interests in using electronic communications. Internal audit and each Authority shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between each other and the reliance on such information.

13 Indemnity and Insurance

13.1 The internal audit provider should make arrangements for appropriate professional indemnity cover. The internal audit provider will indemnify the Authority against claims and costs arising from its negligence or wilful breach of any obligation under the contract between the provider and each Authority, provided that its maximum liability shall not exceed £5m.

14 Fees

14.1 The fees for internal audit work will be charged as set out in the service provider's tender for the contract, additional days being charged at the day rate supplied.

14.2 If specific assignments are requested in addition to the annual plan, fees will be agreed in advance.

15 Payment

15.1 The internal audit provider will invoice in arrears at the end of each quarter detailing the audit work carried out during the quarter and the number of days provided.

15.2 Variations to the audit plan, arising for example from additional ad-hoc work or changes to the resource requirements for planned audits, will be agreed between Internal audit, the S151 Officer and Chief Executive throughout the year as required and reported the responsible Committee.

16 Arrangements for the review of the contract between each Authority and the internal audit service provider

16.1 The contract will be reviewed annually to ensure that it remains in line with internal control requirements together with relevant statutory and code of practice requirements.

Any changes to the contract will be subject to agreement by both parties.

17. Tender for the provision of Internal Audit Services to

National Park Authority

as set out in the Service Specification on pages I-10

Organisation/Company Name:

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Contact Details:

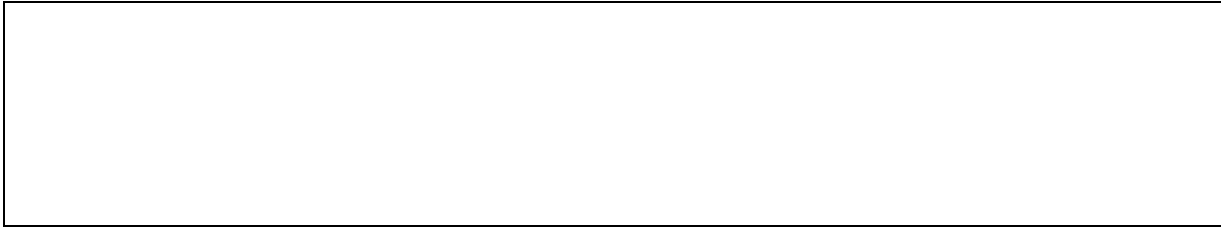
Name:
Email:
Phone:

Price Schedule: Total annual cost and daily rates chargeable (exclusive of VAT)

Year	Internal Audit Programme delivery (estimated 25 days p.a. per Authority) £	Daily Rate for additional audit work. £
1/4/2015 – 31/3/2016		
1/4/2016 – 31/3/2017		
1/4/2017 – 31/3/2018		
Total contract cost		

Other expenses chargeable (please give details and basis of charge)

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Tenderers must provide evidence of:

- Ability to undertake internal audit services and assurance on the adequacy of staff resources to meet the ongoing level of coverage and support.
- The names of the internal auditors and their qualifications and how they feature in the structure of the internal audit provider
- Copies of their current Professional Indemnity, Public Liability and Employers' Liability insurance policies
- Two employer references from current or recent contracts providing internal audit services on a similar scale and scope
- Any potential conflicts of interest which may affect their independent provision of services to the National Park Authority
- Details of their environmental practices and/or environmental management system- and external accreditation
- Details of their policies on equality, and diversity and evidence of of commitment and arrangements to secure satisfactory standards of employee health, safety and welfare

Appropriate financial checks will be carried out on the successful bidder in accordance with each Authority's standing orders.