

## REPORT OF FINANCE MANAGER

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**SUBJECT: INTERNAL AUDIT 2013/14**

### **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 CI PFA 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.

This report contains

- Summary of the 2012/13 Audit
- The Internal Audit Plan for 2013/14.
- Introduction to the new Internal Audit Charter

### **SUMMARY OF THE 2012/13 AUDIT**

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

- Review of Previous Year Agreed Action Plan
- Delivery Department
- Oriely Parc
- Car Park Management
- Planning Income
- Payroll

- Purchase Cards

No significant failings were identified in the 2012/13 internal audit, although a number of minor improvements have been suggested and follow up actions taken.

### **INTERNAL AUDIT PLAN 2013/14**

An Internal Audit plan for 2013/14 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 following documents and reports particular attention when drawing up the draft plan, in accordance with the Internal Audit Charter:

- Business and Improvement Plan
- Authority Risk Profile
- Authority Budget and Levy on Constituent Authorities

There are more possible audits than there are resources available. On the basis of further 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 2013/14:

Review of Previous Year Agreed Action Plan  
Creditors  
Historic Town Grants  
IT Risk  
Employee Costs  
National Trail

This plan is subject to amendment and finalisation on the basis of meetings between the Head of Internal Audit and the Chief Executive, Director of Park Direction and Planning, Director of Delivery and Delivery, The Business & Performance Manager and the Finance Manager.

### **INTERNAL AUDIT CHARTER**

One of the requirements of the new Internal Audit Standards is the need to set out an Internal Audit Charter. The Standards, and a supporting Local Government Application Note published by CIPFA, detail the necessary contents of an Internal Audit Charter for a Local Government Body are:

- A formal definition of the purpose, authority and the responsibility of the internal audit activity, that is consistent with the Public Sector Internal Audit Standards (PSIAS).
- A definition of the terms ‘board’ and ‘senior management’, for the purposes of the internal audit activity (Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances).
- Sets out the internal audit activity’s position within the organisation.
- Establish the Chief Audit Executive’s (CAE’s) functional reporting relationship with the board.
- Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively.

- Establish the responsibility of the board and also the role of the statutory officers (such as the Chief Finance Officer, the monitoring officer and the head of paid service) with regards to internal audit.
- Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
- A definition of the scope of internal audit activities.
- A recognition that internal audit's remit extends to the entire control environment of the organisation.
- Establish the organisational independence of internal audit.
- The arrangements for appropriate resourcing.
- A definition of the role of internal audit in any fraud-related work.
- Set out the existing arrangements within the organisation's anti-fraud and anticorruption policies, to be notified of all suspected or detected fraud, corruption or impropriety.
- The arrangements for avoiding conflicts of interest if internal audit undertakes non audit activities.
- A definition of the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation.

## **RECOMMENDATIONS**

The committee is requested to consider the Audit Plan for the 2013/14 accounting period and accept the plan. The committee is also requested to consider the contents of the draft Internal Audit Charter. Due to resource constraints the Authority's Internal Auditors, Pembrokeshire County Council, are unable to make available an officer to act as the Chief Audit Executive for 2013/14. It is however anticipated that the Charter will be adopted in 2014/15 when the Authority to go out to tender for its Internal Audit requirement including the appointment of a Chief Audit Executive.