

REPORT OF THE INTERNAL AUDITOR

SUBJECT: INTERNAL AUDIT REPORT 2018/19

This report summarises the outcome of work completed by the Authority's Internal Auditors against the 2018/19 operational audit plan approved by the Authority's Audit and Corporate Services Review Committee. It incorporates cumulative data in support of internal audit performance and how our work during the year feeds in to our annual opinion.

The internal audit service reviewed a number of areas during the year:

- Corporate Governance
- Castell Henllys
- Risk Management
- Key Financial Controls – Exchequer Software
- Carew Castell
- Performance Development

From these examinations, taking into account the relative risk of the business areas the internal audit service formed generally very positive conclusions regarding the policies, procedures and operations in place.

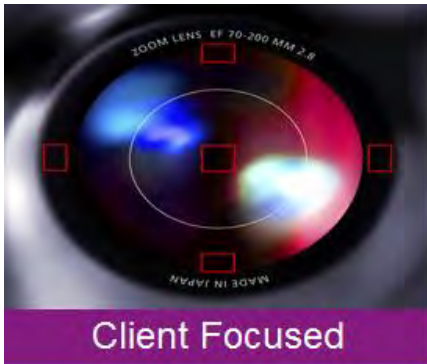
.Recommendation: Members are asked to NOTE and COMMENT on this report

*(For further information, please contact Richard Griffiths, extension 4815
richardg@pembrokeshirecoast.org.uk)*



Pembrokeshire Coast National Park Authority Annual Head of Internal Audit Report 2018/19

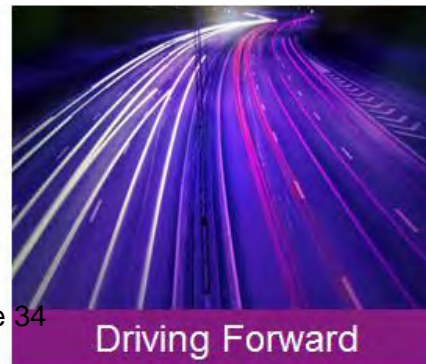
April 2019



Client Focused



Providing Guidance



Driving Forward



Clear Assurance

1. Introduction
2. Operational Assurance
3. Overall Assurance
4. Annual Head of Internal Audit's opinion
5. Summary of significant findings
6. Performance indicators for 2018/19
7. Grading of Opinions and Recommendations

Head of Internal Audit: Robin Pritchard

Contact details: E. robin.pritchard@gatewayassure.com M: 07792 296830

Registered Office: MCH House, Gillingham Business Park, Gillingham, Kent. ME8 0PZ

Company registration number:08232033

Web: www.gatewayassure.com

T: 01634 334697

This report has been prepared for our client and should not be disclosed to any third parties, including in response to requests for information under the Freedom of Information Act, without the prior written consent of Gateway Assure Ltd. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, it is based upon the documentation reviewed and information provided to us during the course of our work. Thus, no guarantee or warranty can be given with regard to the advice and information contained herein. © 2019 Gateway Assure Ltd

The purpose of internal audit is to provide Pembrokeshire Coast National Park Authority and the Audit and Corporate Services Review Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Authority's agreed objectives. Internal Audit also has an independent and objective consultancy role to help management improve risk management, governance and control.

The results of our internal audit work form part of the framework of assurances that the organisation receives and should be used to assist the Authority to prepare informed governance statements.

Internal audit work for the year 2018/19 was carried out in accordance with the Annual Audit Plan approved by Audit and Corporate Services Review Committee. The plan was constructed in such a way as to allow a statement of the adequacy and effectiveness of the Authority's risk management, control and governance processes based upon the reviews undertaken as part of an Internal Audit Strategy covering three years and recognises the other sources of assurance that have been made available to us.

Our risk based methodology and working practices are compliant with the Public Sector Internal Audit Standards (PSIAS) 2013 and the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF) 2013. The firm commissioned an independent External Quality Assessment from INITSAA in accordance with the standards in March 2019 which concluded that our work meets the required guidance for delivery of internal audit services. These standards are adopted insofar as they are applicable to you as a client.

Planned work during 2018/19

The Audit and Corporate Services Review Committee agreed to an input of 25 days of internal audit coverage in the year. Progress reports have been made to meetings of the Committee with the aim of providing informed and timely assurance related to those areas reflected in the plan. The planned reviews approved by the Audit and Corporate Services Review Committee, the planned number of days and the actual time against each are shown in Appendix A and shows that the plan was completed within the resources available. Audit assignments were undertaken over two visits in June 2018 and March 2019, as agreed with management and we are grateful for the co-operation which we received from those managers and staff that were involved with the audit process.

If any matters require clarification prior to the meeting of the Audit and Corporate Services Review Committee please do not hesitate to contact the Engagement Director, whose contact details appear on the contents page of this report.

The results of our visits to Pembrokeshire Coast National Park Authority are summarised in this section of the report and are considered in relation to the stated risk appetite of the organisation. The Fleet Management and Health & Safety audits were replaced with Carew Castle and Performance Management, due to the Authority commissioning other work in those areas. The internal audit service reviewed a number of areas during the year which were considered a priority in relation to the risk environment and our work in previous years, these were:

		Recommendations			
Audit area	Opinion				Accepted
1. Corporate Governance		0	0	2	2
2. Castle Henllys		0	0	3	3
3. Risk Management		0	2	0	2
4. Key Financials – Exchequer Software		0	0	1	1
5. Carew Castle		0	1	1	2
6. Performance Development		0	0	0	0
	Total	0	3	7	10

From these examinations, taking into account the relative risk of the business areas the internal audit service has formed the following conclusions (good, adequate or weak) regarding the policies, procedures and operations in place to:

Establish and monitor the achievement of the Authority's objectives:	Good
Identify, assess and manage the risks to achieving the Authority's objectives:	Adequate
Advise on, formulate, and evaluate policy, within the responsibilities of the Chief Executive	Good
Ensure economical and efficient use of resources	Good
Ensure compliance with the Authority's policies, procedures, law and regulations	Good
Safeguard the Authority's assets and interests from losses of all kind including those from fraud, irregularity and corruption	Good
Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes	Good

Head of Internal Audit Annual Opinion 2018/19

As the Head of Internal Audit for Gateway Assure, the internal audit service provider to the organisation, I am required to provide the Authority with a statement on the adequacy and effectiveness of the Authority's risk management, control and governance processes. In giving my opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is reasonable assurance there are no major weaknesses in the Authority's risk management, control and governance.

In assessing the level of assurance to be given, the following have been taken into account:

- All audits undertaken during 2018/19;
- Any follow-up action taken in respect of audits from previous periods;
- Significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in Authority's objectives or systems;
- Matters arising from previous reports to the Board;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resources constraints may impinge on my ability to meet the full audit needs of the organisation;
- What proportion of the Authority's internal audit need has been covered to date; and
- The results of work performed by other assurance providers.

As a result, I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the Authority's risk management, control and governance processes.

The opinion also takes account of the results of our follow up work, management responses and agreed implementation plans regarding which we believe that management have taken or planned appropriate and timely action to implement recommendations.

Overall in my opinion, based upon this information and the reviews performed during the year, the organisation has:

- has **adequate and effective** risk management;
- has **adequate and effective** governance; and
- has **adequate and effective** control processes

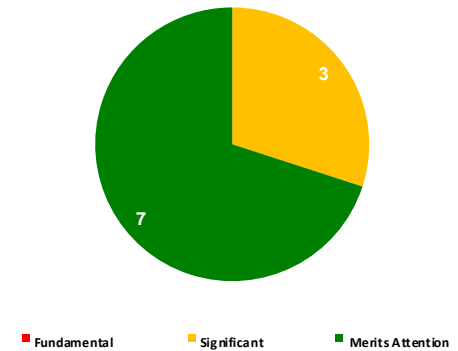
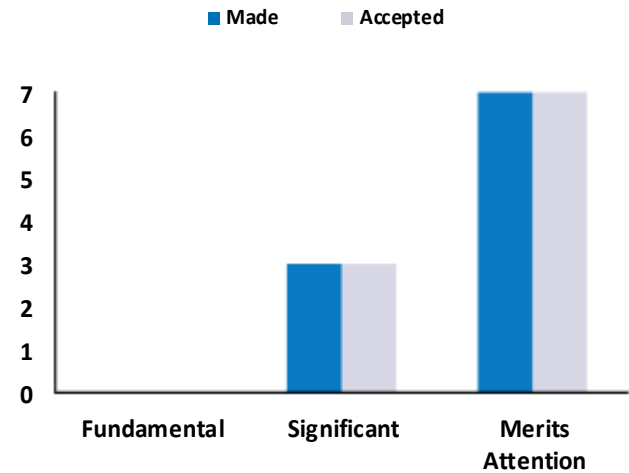
At the date of issue of this report the External Audit Management Letter for 2018/19 has not been published. We reserve the right to amend our draft annual opinion as a result of these further sources of assurance once issued.

In accordance with PSIAS standard 2600 I am required to draw to your attention significant risks to which the organisation is exposed. Consequently this section highlights those risks which have been identified during the audit process which have attracted recommendations graded as fundamental or significant. These should be recognised alongside those reflected within the Authority's risk register as well as others highlighted by other sources of advice or assurance work.

Audit	Recommendation
Risk Management	<p>Risk Management Policy The Authority should define its risk appetite through enhancing its definition of risk impact to provide examples of what the Members and Leadership team consider reflects each grade of impact. Consideration should be given to moving to a 4x4 matrix.</p> <p>Inherent Risk The Authority should recognise risk at an inherent level and align this analysis with its business plan to ensure that all stakeholders recognise the risks which are critical to the Authority's success.</p>
Carew Castle	<p>Business Plan A formal business plan should be established to establish the longer term objectives for Carew Castle and provide a costed approach to the potential development of the visitor attraction. The plan should then be supported by an annual operational plan by considering development of the current team plan to reflect an annual initiatives and operational targets that will assist budget planning and monitoring of progress.</p>

	Annual Plan	Actual	
No. Audit Days	25	25	
Draft report	10	5 days	Relates to obtaining cost options
Final report	5	1 day	
Audit Fee	Within budget		

Resources		
	%	Qualifications
Director	33%	CPFA/IRM
Manager		
Senior	67%	FCCA
IT Specialist	-	CISA



KEY FOR RECOMMENDATIONS (IN RELATION TO THE AREA REVIEWED)

Fundamental (F)	- The organisation is subject to levels of fundamental risk where immediate action should be taken to implement an agreed action plan.
Significant (S)	- Attention to be given to resolving the position as the organisation may be subject to significant risks.
Merits Attention (MA)	- Desirable improvements to be made to improve the control, risk management or governance framework or strengthen its effectiveness.

ADEQUACY & APPLICATION OF CONTROL

OVERALL OPINION (ASSURANCE)	FRAMEWORK OF CONTROL	APPLICATION OF CONTROL	EXPLANATION	TYPICAL INDICATORS
Substantial (Positive opinion)	Good	Good	The control framework is robust, well documented and consistently applied therefore managing the business critical risks to which the system is subject.	There are no fundamental or significant recommendations attributable to either the Framework or Application of Control.
Adequate (Positive opinion)	Good	Appropriate	As above however the audit identified areas of non-compliance which detract from the overall assurance which can be provided and expose areas of risk.	There are no fundamental recommendations surrounding the Framework of Control; coupled with no fundamental and no more than two significant recommendations attributable to the Application of those controls.
	Appropriate	Good	The control framework was generally considered sound but with areas of improvement identified to further manage the significant risk exposure; controls were consistently applied.	There are no fundamental recommendations attributable to the Framework of Control.
	Appropriate	Appropriate	As above however the audit identified areas of non-compliance which expose the organisation to increased levels of risk.	There are no fundamental recommendations attributable to the Framework and Application of Control.
Limited (Negative opinion)	Good / Appropriate	Weak	As above however the extent of non-compliance identified prevents the Framework of Control from achieving its objectives and suitably managing the risks to which the organisation is exposed.	There are more than two significant recommendations attributable to the Application of Controls.
	Weak	Good / Appropriate	The control framework despite being suitably applied is insufficient to manage the risks identified.	There are more than two significant recommendations attributable to the Framework of Controls.
	Weak	Weak	Both the Framework of Control and its Application are poorly implemented and therefore fail to mitigate the business critical risks to which the organisation is exposed.	There are fundamental recommendation(s) attributable to either or both the Framework and Application of Controls which if not resolved are likely to have an impact on the organisations sustainability.