REPORT OF THE INTERNAL AUDITOR

SUBJECT: INTERNAL AUDIT REPORT 2018/19

The report is the outcome of work completed against the Block 2 of the 2018/19 operational audit plan previously approved by the Authority's Audit and Corporate Services Review Committee

The internal audit service reviewed the following area:

- Exchequer Software
- Carew Castle
- Performance Management

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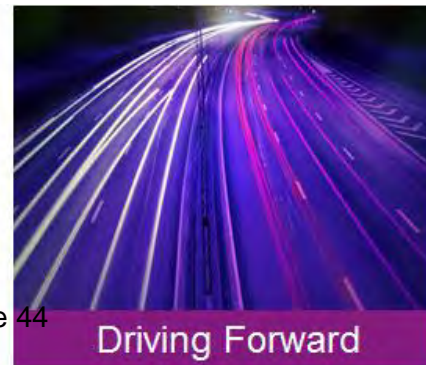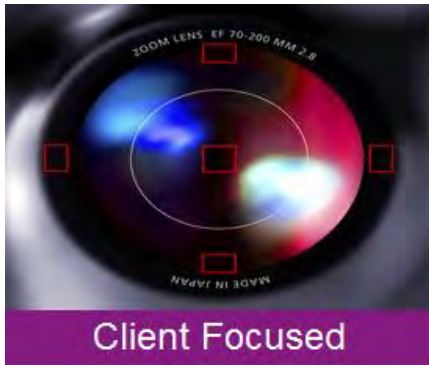
.**Recommendation: Members are asked to NOTE and COMMENT on this report**

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

Pembrokeshire Coast National Park Authority Internal Audit Report

Block 2 – March 2019

Client Focused

Providing Guidance

Driving Forward

Clear Assurance

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9. Grading of Opinions and Recommendations

Audit visit: March 2019
Engagement Director: Robin Pritchard   **Contact details: E.** robin.pritchard@gatewayassure.com **M: 07792 296830**
Gateway Assure staff deployed: Robin Pritchard, David Brett, Malcolm Stone

This report summarises the outcome of work completed to date against the operational audit plan for 2018/19 as approved by Pembrokeshire Coast National Park and the Audit and Corporate Services Review Committee ; it incorporates cumulative data in support of internal audit performance. This provides a basis for our work during the year which is planned to inform our annual opinion.

The sequence and timing of individual reviews has been discussed and agreed with management to ensure the completion of all audits within the agreed Internal Audit Strategy 2018/19 in a timely manner. The scope for each review has been agreed with nominated managers and is intended to focus on the key risks to which that area of the organisation's activity is exposed and the associated controls which we would expect to be in place to ensure that risk is managed within the risk appetite approved by the Board. Our approach is to document and evaluate the adequacy of controls operating within the system. The key controls operated by management have been assessed against the controls we would expect to find in place if best practice in relation to the effective management of risk, the delivery of good governance and the attainment of management objectives is to be achieved. Where applicable, selected and targeted testing has been used to support the findings and conclusions reached.

The Executive summary which follows provides an assurance opinion which arises from the outcomes of the audits undertaken in this block of work and which have been discussed with senior management. The highlights emerging from each area subject to review are shown in the more detailed commentary that is then provided.

A summary of progress against the years planned operational activity is enclosed along with details of opinions and recommendations; this will provide assurance regarding delivery of the plan against the timetable established by the Audit and Corporate Services Review Committee.

We have performed our work in accordance with the principles of the Institute of Internal Auditors (IIA) International Professional Practice Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS) in so far as they are applicable to an assignment of this nature and you our client.

We therefore report by exception and only highlight those matters of significance that we believe merit acknowledgement in terms of good practice or undermine the system's control environment and which require attention by management.

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 visit to Pembrokeshire Coast National Park Authority are summarised in this section of the report and are considered in relation to each area reviewed. Two audits were replaced in this block due to the Authority commissioning other work in the areas of Fleet Management and Health & Safety.

The extent of comment in relation to each audit area is restricted deliberately so as to highlight the significant issues that we believe need to be drawn to the attention of the Audit and Corporate Services Review Committee and management. We provide an opinion in relation to each audit area that relates to the level of assurance that can be provided as evidenced within each review; and takes account of the issues identified and the recommendations made. The opinion is expressed in terms of the control framework for the area under review, as currently laid down and operated, and takes account of whether the risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled. The opinion is therefore expressed as substantial, adequate or limited.

These are supported by a more detailed analysis of each review that is contained as an audit highlights summary which follows this executive summary.

Audit Area	Opinion	Recommendations				
		F	S	MA	Total	Agreed
Exchequer Accounting Software	Substantial	0	0	1	1	1
Carew Castle	Substantial	0	1	1	2	2
Performance management	Substantial	0	0	0	0	N/A

Fundamental (F)	Area subject to fundamental risk where immediate action should be taken to implement an 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.

As part of our service to you as our client we will follow-up on those recommendations made during the periods which we are on-site and report assurance or otherwise regarding completion of management actions at the next Audit and Corporate Services Review Committee meeting. Where follow-up is required to be undertaken within a more immediate timescale we will be pleased to arrange for this to be undertaken, whilst recognising that there may be implications on time allocation within the operational plan.

Exchequer Accounting Software

Executive summary – Exchequer Accounting Software

1.1 The Authority implemented the software in 2012/13 following a tender exercise conducted in co-ordination with the two other National Park Authorities. Two of which selected Exchequer as the preferred option. The software is a well established product that is used throughout the UK economy and internationally consequently its functionality is well tested and proven in terms of its ability to support the financial management needs of the National Park Authority.

1.2 The purpose of the review was therefore to consider whether the software continues to provide a satisfactory solution to the Authority' accounting needs both in terms of its functionality and in terms of cost given the advances that have been made in technology particularly regarding cloud based provision.

1.3 Use of the software provides for all core financial functions required by the Authority and allows for interface with both 'Point of Sale' software in the Visitor Centres as well as electronic journals with payroll and procurement card data.

1.4 Review of use demonstrated that its application provides for efficient use by current staff with excel spreadsheets being used to produce dedicated budget reporting and analysis. External support would need to be commissioned if complex new reports were considered necessary. System security exists through integrated authorisation limits with Administrator access being appropriately restricted to provide both control and cover in circumstances where the Finance Manager is unavailable.

1.5 We were informed that updates to the 2016 version currently in use have not been implemented in agreement with the IT Manager, on the basis that there were no material changes other than in relation to a GDPR compliance issue in 2017 which was considered unnecessary and would have incurred additional licence fee costs. We have reviewed the detail of the 2018 update and would agree that there appear to be no material changes to functionality that would benefit the Authority. Updates do however often include patches that protect against unauthorised access and it would therefore be good practice to consider 'catch-up with the upgrades during 2019/20, particularly if the fee increase is not material

1.6 In terms of cost it is difficult to obtain comparative data. Having purchased the software an annual license fee of £3,500 is incurred. A market leading provider with 'smaller' organisations is Sage 50 software – the costs of this are only slightly less than current costs being received. The decision to change however given that annual costs are not material would need to consider change both in terms of the resource implication on officer time during implementation as well as the training and disruption needs while the transfer was being completed.

Key control areas subject to review

1. Appropriate documentation of processes
2. Access and administration
3. Reporting provides ease of access and tailored formats
4. Training
5. Routine testing of functionality

Departmental Review – Carew Castle

Executive summary – Departmental Review-Carew Castle

2.1   The Authority promotes Carew Castle as a formidable reminder of the regions past and under a leasehold arrangement provides management of the visitor attraction for all to enjoy, as a lasting legacy of the regions history.

2.2   There is a comprehensive team plan in place although no overall business plan setting out costed priorities over a given period and identifying what site will offer and considering proposals for further development of facilities and displays. This is seen as being important in establishing a road map of expected development and aiding budget planning.

2.3 Budgetary control was found to be good with expenditure currently within available provision and noticeably income levels increasing. There is a planned level of activities in place, which appear to be well received and are regularly refreshed to ensure that interest is maintained.

2.4 New initiatives are being explored at all times and visitor feedback is used as a monitoring tool to consider which facilities and attractions are improved on a priority basis where resources allow possible investment.

2.5   Due to the age and condition of the main structure, there is continual risk assessment to ensure that the safety of the visitor population is maintained at all times; no major incidents have occurred.

2.6 The introduction of the café is a good source of secondary income and prices generally are set to be in line with other attractions within the area. School parties visit Carew Castle as a major source of their curriculum activities which reflects well on the efforts of all members of staff.

2.7 The location of the site is of concern with regard to cash collection but cash is regularly processed using the safes available and banking is made on at least a weekly basis; amounts are reconciled to the main financial system by staff based at Llanion Park. It may be beneficial to set a maximum holding at peak visitor times, not from an insurance point of view but more to ensure that staff making visits to the bank do not become an obvious target. Security is appropriate considering the location and sensitivity of the protected bat population, with security lighting and alarms in place.

Key control areas subject to review

1.   Business Plans;
2.   Services and activities;
3.   Budgets;
4.   Key risks;
5.   Management Information;
6.   Visitor complaints and compliments;
7.   Goods or services are costed;
8.   Wastage of perishables is monitored;
9.   Reorder points are established;
10. Variable hour staff;
11. Cash handling procedures;
12. Income is recorded;
13. Banking Procedures;
14. Security arrangements.

Performance Management

Executive summary Performance Management

3.1 Performance indicators are recognised by the Authority as an important means of quantifying the success of an organisation and identifying areas where improvement is required.

3.2 The KPI's used by the Authority are approved by the Board through the detailed corporate and resources plan and are based on the objectives used by the Welsh Office in establishing an agreed set of well being goals. This is supplemented by the comprehensive capture of all potentially useable data, which is updated into a local application both at centre level and from Llanion Park.

3.3 Fynnon is used as the basis for administration of performance management and there are clear guidelines on use of the system; this reflects what data is required for collection and input. Information is then extracted and reported by the Performance and Compliance Co-ordinator into the approved format for the various board and committee meetings. The deadline for each meeting is also recorded in the guidance notes ensuring that data input meets these deadlines and that reports are produced on up to date data.

3.4 The performance reports contain data that is collated on a quarterly basis and is RAG rated providing clear indication of where members attention may be concentrated in comparing actual data to that proposed in the development of the annual corporate and resources plan.

3.5 The data captured is comprehensive with analysis able to be performed on almost any aspect of the Authorities activity however whilst there are no areas that require further attention, the Board may wish to consider how much data is required and whether the cost in resources in collecting and compiling the analysis justifies the end product. Nevertheless, if resources permit the current process represents a robust statistical record of the Authority's activity.

3.6 Benchmarking against comparable locations can be difficult due to the uniqueness of the Park Authority but comparisons can be made against previous periods data with any fluctuations in numbers reported accordingly and can be investigated further as required.

Key control areas subject to review

1. Development of key Performance indicators;
2. User level understanding;
3. Benchmarking;
4. Policies and Procedures;
5. Data processing;
6. Data values;
7. Targets;
8. Comparative periodic data;
9. Reinstatement of prior period data.

Audit area	Exchequer Accounting Software
Management Objective:	The implementation and use of the Exchequer Software continues to efficiently provide for the financial management needs of the Authority.
Responsible Officer:	Richard Griffiths – Finance Manager

Key risks for consideration:

The functionality and reporting provided by the Exchequer software fails to meet the developing needs of PCNPA as intended and as a result leads to complications being experienced in terms of adhering to agreed financial reporting timescales and accuracy.

Overall opinion:	Substantial	Adequacy of control framework:	Good
		Application of control:	Good

Main Recommendations	Priority	Management Response	Implementation Plan
1. Software upgrades The Authority should consider implementing upgrades to the current version of the software in order to ensure appropriate functionality and security is maintained.	MA	In liaison the Authority's IT department, the Software providers have been contacted to arrange a date for the appropriate upgrades. The upgrade is scheduled for 7th May.	**Responsibility:** Finance Manager **Target date:** May 2019

Audit area	Departmental Review – Carew Castle
Management Objective:	Delivery of operational activities are sufficient to ensure attainment of PCNPA objectives, budgets and the delivery of effective services for the local community, business or visitors.
Responsible Officer:	Daisy Hughes - Visitor Services Manager South Pembrokeshire

Key risks areas considered within scope of audit: Failure to suitably establish, communicate, devolve and monitor the management of activity impacts upon the success use of the centre in promoting the National Park and consequently the Authority's income generation expectation for Carew Castle.

Overall opinion:	Substantial	Adequacy of control framework:	Good
		Application of control:	Good

Main Recommendations	Priority	Management Response	Implementation Plan
1. 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.	S	A new business plan for Carew Castle and Tidal Mill is due to be produced this year (2019), which will address all the recommendations.	**Responsibility:** James Parkin / Daisy Hughes **Target date:** 31st December 2019
2. Banking Consider introducing a maximum on-site cash holding to reduce potential for serious security incidents that may threaten staff safety.	MA	We will review our procedures and schedule banking appropriately at peak times to reduce the amount of cash held on site or being moved by staff.	**Responsibility:** Daisy Hughes **Target date:** July 2019

Audit area	Performance Management
Management Objective:	Reporting of Key Performance Indicators are accurate and timely and include focus on the most appropriate activity in order to facilitate monitoring and effective decision making.
Responsible Officer:	Mair Thomas – Performance and Compliance Co-ordinator

Key risks areas considered within scope of audit: That data presented to the Board, Sub-Committees and senior management may not be appropriate, is inaccurate; failing to support and at wort leading to incorrect decisions being made.

Overall opinion:	Substantial	Adequacy of control framework:	Good
		Application of control:	Good

Main Recommendations	Priority	Management Response	Implementation Plan
There are no areas that require further report arising from the scope of this review. We have provided a copy of good practice for consideration regarding high level performance reporting which may help in developing the process further in future.		No further action required. Good practice provided by internal auditors for high level performance reporting will be considered to inform development of process further in the future.	**Responsibility:** **Target date:**

Operational plan summary 2018/19

Audit and Corporate Services Review Committee meeting – March 2018
Draft Internal Audit Strategy 2018– 2020

Committee meeting – 21 November 2018			Audit visit undertaken 15 June 2018		Recommendations made				
Block 1 Audits	Plan Days	Actual days	Client Contact	Progress	🟥	🟧	🟩	Total	Accepted
1. Corporate Governance	3	2.5	Tegryn Jones	Final	0	0	2	2	2
2. Castell Henllys	4	4.5	Jenn Jones	Final	0	0	3	3	3
3. Risk Management	3	4.0	Richard Griffiths	Final	0	2	-	2	2
Follow up	1	1.0							
Management	2	2.0							
Total	13	14.0			0	2	5	7	7

Committee meeting – 13 February 2018			Audit visit scheduled – 15 October 2018		Recommendations made				
Block 2 Audits	Plan Days	Actual days	Client Contact	Progress	🟥	🟧	🟩	Total	Accepted
4. Key Financials – Exchequer software	3	2.5	Richard Griffiths		0	0	1	1	1
5. Carew Castle	2	3.0	Daisy Hughes		0	1	1	2	2
6. Performance Management	4	3.5	Mair Thomas		0	0	0	0	N/A
Management	3	3.0							
Total	12	11.0		Total	0	1	2	3	

TOTAL AUDIT DAYS 2018/19	25	25

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Performance indicators 2018/19

Chart Title

	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

■ Made   ■ Accepted

Fundamental   Significant   Merits Attention

■ Fundamental   ■ Significant   ■ Merits Attention
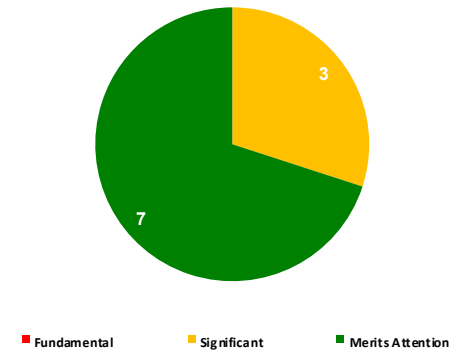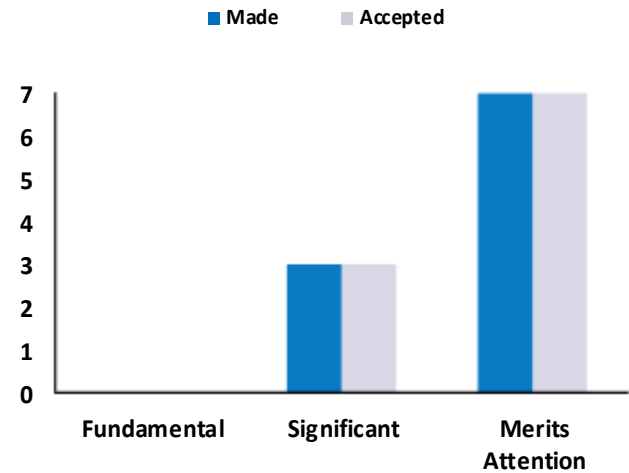
KEY FOR RECOMMENDATIONS (IN RELATION TO THE AREA REVIEWED)

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.

The above is for guidance only; professional judgement is exercised in all instances.