

REPORT OF THE FINANCE MANAGER

SUBJECT:
INTERNAL AUDIT REPORT FOR 2013/14

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.

During 2013/14 the audit concentrated on:

- Review of Previous Year Agreed Action Plan
- Creditor Computer Assisted Audit Techniques
- Conservation Area Grants
- IT Risk
- Employee Costs
- National Trail

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 has been made available for Members.

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

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



Internal Audit Service

PRIVATE AND CONFIDENTIAL

Pembrokeshire Coast National Park Authority

Final Report

Audit No. 154 (2013-14)

Current Assurance Rating 2013-14	Substantial
Previous Assurance Rating 2012-13	Substantial

Report issued to:	Richard Griffiths, Finance Manager
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Final report to be copied to:	Tegryn Jones, Chief Executive Alan Hare, Business & Performance Manager
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Auditor:	Justin Blewitt, Senior Auditor Iain Williams, Internal Auditor
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Manager/Reviewer:	Richard Edwards, Principal Auditor
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Fieldwork complete:	12/12/13
Draft report issued:	20/12/13
Management comments:	14/02/14
Final report issued:	17/02/14

Audit No. 154 (2013-14)**Pembrokeshire Coast National Park Authority**

This report may contain personal data as defined by the Data Protection Act 1998, which must be treated as strictly private and confidential.

1.0 Introduction

1.1 As part of the annual Internal Audit of the Pembrokeshire Coast National Park Authority (PCNPA) for 2013-14, reviews have been undertaken in relation to the arrangements in place for the following areas agreed by the PCNPA Management Team:

- Section A – Follow Up of Previous Audit (2012-13) Action Plan
- Section B – Creditor Computer Assisted Audit Techniques (CAATS)
- Section C – Conservation Area Grants (CAG)
- Section D – IT Risk
- Section E – Employee Costs
- Section F – National Trail

2.0 Audit Objectives

- 2.1 To provide assurance to the PCNPA Management Team that they have adequate governance, internal control, risk management and financial management arrangements in place for the above mentioned systems and services, which are operating effectively and assisting the PCNPA to achieve its objectives.
- 2.2 To provide assurance that the 2012-13 recommendations have been implemented.
- 2.3 To identify areas of weakness and risk, good practice and opportunity.

3.0 Audit Methodology

- 3.1 We took an evidence based approach to our audit review using interviews with staff, review of supporting documentation and sample testing to arrive at our opinion.
- 3.2 Compilation of a formal internal audit report making recommendations for improvement and adding value to the systems and services reviewed.

4.0 Audit Opinion and Assurance Statement

- 4.1 The audit review highlighted the adequacy and effectiveness of the governance, internal control, risk management and financial management arrangements in place within the systems and services reviewed. We have identified a number of opportunities for improvement to the adequacy and effectiveness of existing arrangements, which if implemented, would improve and add value to the systems and services reviewed.
- 4.2 The report is divided into sections for each area reviewed. Assurance statements on the adequacy and effectiveness of the arrangements in place for each of the systems and services reviewed are provided within each section.
- 4.3 The arrangements reviewed and tested and an opinion as to their adequacy and effectiveness are shown in tabular format (*Action Plan*) within each section of the report (sections A – F), along with the weaknesses and risks, good practice and opportunities identified during the audit review, comments and consequences, and recommendations for improvement.
- 4.4 Prompt action to implement these recommendations will improve the adequacy and effectiveness of existing governance, internal control, risk management and financial management arrangements within the systems and services reviewed and assist the PCNPA to achieve its objectives.
- 4.5 A summary of the recommendations is shown in the table below:

Audit Area		Assurance Rating ¹	Recommendations ²						
			A1	A2	B1	A3	B2	C1	Other
A	Follow Up of Previous Audit Action Plan	Substantial	0	0	0	0	0	0	0
B	Creditor CAATS	Substantial	0	0	0	0	3	0	1
C	Conservation Area Grants	Substantial	0	0	1	0	1	0	2
D	IT Risk	Substantial	0	2	2	1	3	0	8
E	Employee Costs	Substantial	0	2	0	0	2	1	9
F	National Trail	Substantial	0	0	0	0	1	0	0
Total			0	4	3	1	10	1	20

¹ A definition of the Assurance Ratings are shown at Appendix A

² A definition of the Recommendation Gradings are shown at Appendix B

5.0 Acknowledgement

5.1 It should be noted that all testing undertaken as part of this audit review was on a sample basis and therefore the results should be considered in this context.

5.2 We would like to thank all staff involved for their co-operation during the audit review. If the Internal Audit Service can be of any further assistance, please contact:

Justin Blewitt, Senior Auditor (extension 5641)

Iain Williams, Internal Auditor (extension 5638)

Jo Hendy, Audit Manager (extension 6213)

SECTION A – FOLLOW UP OF PREVIOUS AUDIT ACTION PLAN

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
A1	Follow Up of Previous Audit Action Plan				
A1.1	Accepted recommendations from the previous audit review have been implemented.	✓	<p>Of the 23 accepted recommendations from the previous audit review (2012-13), assurance was given (no testing was undertaken to confirm the responses) that 16 have been completed in full, 3 are partially completed/ongoing, 3 are no longer applicable, and 1 has not been completed.</p> <p>The recommendations where action remains outstanding are detailed in Appendix B and should now be followed up.</p>	-	-

Creditor CAATS (SECTION B)

This report may contain personal data as defined by the Data Protection Act 1998, which must be treated as strictly private and confidential.

1.0 Introduction

1.1 An audit review of the Creditors System using Computer Assisted Audit Techniques (CAATS) has been carried out as part of the 2013-14 Internal Audit Plan. The last review of the Creditors System was completed in 2011-12.

2.0 Audit Opinion and Assurance Statement

2.1 **Substantial Assurance**³ can be given on the adequacy and effectiveness of the arrangements in place for the Creditors System based on the CAATS testing carried out.

2.2 Key areas of weakness and risk, good practice and opportunity for improvement identified during the audit review are summarised below:

- A number of duplicate suppliers exist within the Creditors System which increases the risk of duplicate payments being made or not being identified.
- Payments have been made to employees to reimburse them for items purchased and mileage/subsistence which leads to potential tax implications.

2.3 A summary of the recommendations for Section B is shown in the table below:


Expected Arrangements (Controls)		Adequate & Effective ⁴	Recommendations ⁵						
			A1	A2	B1	A3	B2	C1	Other
B1	Duplicate Suppliers	✘	0	0	0	0	1	0	1
B2	Duplicate Payments	✔	0	0	0	0	0	0	0
B3	Creditors Masterfile	✔	0	0	0	0	0	0	0
B4	Payments to Employees	✔	0	0	0	0	2	0	0
B5	VAT	✔	0	0	0	0	0	0	0
Total			0	0	0	0	3	0	1



³ A definition of the Assurance Ratings are shown at Appendix A

⁴ A definition of the Adequate & Effective Ratings are shown at Appendix B


⁵ A definition of the Recommendation Gradings are shown at Appendix A

SECTION B – CREDITOR CAATS ACTION PLAN

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
B1	Duplicate Suppliers				
B1.1	The Creditor Payments System is reviewed prior to setting up new suppliers to ensure duplicated suppliers are not entered.		<p>CAATS testing identified a number of potential duplicate suppliers based on bank account details, supplier names and/or supplier addresses within the creditors system. Samples were selected and a number of duplicate suppliers within the system were confirmed.</p> <p>The reasons for duplicate entries were due to the existence of the previous details not being identified, or new suppliers being set up when a company has changed its details (e.g. name, address) and the old entry not being closed down.</p> <p>A list of all potential matches identified as part of the CAATS testing has been passed to PCNPA in order that they can further check those which were not covered in the sample checks.</p>	<p>a. Each time a new supplier is set up, a review of the creditors system should be undertaken (against name, address, bank account details etc) to ensure the supplier does not already exist. Grade: C2</p> <p>b. When a supplier changes their details (e.g. business name or address), the current record should be updated to avoid duplicate entries. If a new record is created as is currently done then the previous record should be closed/marked do not use and archived at year end. Grade: B2</p>	<p>a. Acceptance: Accepted Management Response: The new finance system will make it easier to identify if suppliers are already on the system. Timescale for Action: Immediate Responsible Officer: Finance Manager</p> <p>b. Acceptance: Accepted Management Response: The new finance system will make it easier to identify if suppliers are already on the system. Timescale for Action: Immediate Responsible Officer: Finance Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
B2	Duplicate Payments				
B2.1	Payments from the Creditor Payments System have not been duplicated.		<p>CAATS testing identified a number of potential duplicate payments with identical supplier name, invoice reference and amount. These were all tested for 2012-13 and 2013-14 to date and no duplicate payments were identified with satisfactory explanations received for each.</p> <p>A number of potential duplicate payments with identical supplier name and amount were also identified. A sample of 10 (5 from 2012-13 and 5 from 2013-14) was tested and again satisfactory explanations were received for each.</p>	-	-
B3	Creditors Masterfile				
B3.1	Changes to the Creditor Payments System masterfile are only actioned by authorised staff.		Changes to the Creditors system were only made by three officers who were confirmed as being the correct officers.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
B3.2	Payments are only made on expected days.	✓	No changes were made to the creditors masterfile outside of office hours (7am - 7pm Monday to Friday).	-	-
B4	Payments to Employees				
B4.1	There are valid explanations for all instances where employees have been paid through the Creditors Payments System.	✓	<p>A number of payments to employees were identified as part of the CAATS testing. All payments for 2012-13 and 2013-14 to date were tested and valid explanations were received for each. Whilst valid explanations were received, there were some issues with the types of payments being made (See Appendix C for detail).</p> <p>Where employees are reimbursed for expenditure there are potential issues in terms of the VAT recovery (i.e. VAT should not be recovered as the payment has been made to the individual rather than the company direct) and the ownership/warranty of the items (though for the items tested the receipts did not specify details of the purchaser so this would not be an issue).</p>	<p>a. Equipment purchases should be made direct by PCNPA rather than being purchased by employees who are subsequently reimbursed. Where reimbursements are made, the VAT should not be recovered on these payments.</p> <p>Grade: B2</p>	<p>a. Acceptance: Accepted Management Response: Any payment to employees through the purchase ledger will be closely monitored. Timescale for Action: Immediate Responsible Officer: Finance Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
B4.1 (cont)			There are also potential issues with mileage and subsistence being paid via creditors rather than payroll. The mileage payments identified were at a rate of 45p per mile and therefore there will not be as many implications as the employee is not then determined to be receiving taxable benefit. However, one instance of reimbursement for hotel costs was identified which may have implications in terms of tax (and may be deemed as tax avoidance by HMRC as this would not be picked up as part of the P11D at year end to determine any taxable benefit and adjustments to tax codes).	b. Mileage and subsistence payments should be made via payroll rather than creditors to ensure income tax and VAT are accounted for appropriately. Grade: B2	b. Acceptance: Accepted Management Response: Any payment to employees through the purchase ledger will be closely monitored. Timescale for Action: Immediate Responsible Officer: Finance Manager
B5	VAT				
B5.1	VAT payments equal 20% or 5%.		CAATS testing identified a number of VAT payments which were not equal to 20% or 5%. A sample of 10 was tested and satisfactory explanations were received for each (mainly due to only some and not all goods on the invoices being subject to VAT).	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
B5.2	There are valid reasons where VAT has not been paid against invoices.	✓	CAATS testing identified a number of payments on which no VAT had been paid. A sample of 10 was tested and satisfactory explanations were received for each (mainly due to goods not being subject to VAT or the supplier not being VAT registered).	-	-

Conservation Area Grants (CAG) (SECTION C)

This report may contain personal data as defined by the Data Protection Act 1998, which must be treated as strictly private and confidential.

1.0 Introduction

- 1.1 An audit review of Conservation Area Grants (CAG) has been carried out as part of the 2013-14 Internal Audit Plan. The last review of CAG was completed in 2009-10.
- 1.2 CAG are managed jointly between the PCNPA and CADW with financial assistance from the Welsh Government. The scheme is headed up by the Building Conservation Officer from PCNPA.
- 1.3 For 2012-13, the total budget was £100k with 50% funded through a Welsh Government Grant and the remainder funded by PCNPA. This arrangement has been in place for a considerable time and PCNPA do not have to apply for the grant on an annual basis. The entire grant was allocated between 14 properties in 2012-13 (which included an additional payment of £30k for a large project).
- 1.4 For 2013-14, £100k has been allocated to 17 successful applicants.

2.0 Audit Opinion and Assurance Statement

- 2.1 **Substantial Assurance**⁶ can be given on the adequacy and effectiveness of the arrangements in place for the management of Conservation Area Grants.
- 2.2 Key areas of weakness and risk, good practice and opportunity for improvement identified during the audit review are summarised below:
 - Raising the awareness of FOI and the data that can be released would reduce the chance of sensitive information being obtained for commercial gains.
 - All documentation relating to grant applications should be filed in one folder rather than being filed in different locations.
 - The 2012-13 scheme assessment sheet template should be reintroduced rather than the amended template being used for 2013-14.

⁶ A definition of the Assurance Ratings are shown at Appendix A

2.3 A summary of the recommendations for Section B is shown in the table below:

Expected Arrangements (Controls)		Adequate & Effective ⁷	Recommendations ⁸						
			A1	A2	B1	A3	B2	C1	Other
C1	Policies & Procedures	✓	0	0	1	0	1	0	1
C2	Monitoring & Reporting	✓	0	0	0	0	0	0	1
C3	Budgetary Control	✓	0	0	0	0	0	0	0
Total			0	0	1	0	1	0	2

⁷ A definition of the Adequate & Effective Ratings are shown at Appendix B



⁸ A definition of the Recommendation Gradings are shown at Appendix A

SECTION C – CONSERVATION AREA GRANTS (CAG) ACTION PLAN

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
C1	Policies & Procedures				
C1.1	There is a documented policy in place for the Conservation Area Grant (CAG) Scheme.	✓	Eligibility of the scheme has been documented and is set out within the CAG application form.	-	-
C1.2	A procedural manual has been documented.	✓	<p>A document has been produced by the Building Conservation Officer and covers enquiries, applications, evaluations, appeals, payments and public information.</p> <p>The Building Conservation Officer stated that all information submitted is subject to the provision of the Freedom of Information Act 2000 as the public would be allowed individual grant files in their entirety.</p>	<p>a. Consideration must be given to including a caveat at the end of the FOI sentence contained within all documentation which states "unless an exception applies".</p> <p>Grade: B2</p>	<p>a. Acceptance: Accepted Management Response: Documentation amended. Timescale for Action: Immediate Responsible Officer: Building Conservation Officer</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
C1.2 (cont)			<p>The consequence of this could result in commercially sensitive information being released, particularly surrounding the 3 tenders that have been supplied by the applicant as part of the grant process.</p> <p>Potentially there is a risk that a competitor could obtain an advantage in future tenders (not necessarily related to this grant) if they can readily acquire details of the rates charged by their competitors via PCNPA.</p> <p>There is also a question of whether the quotes have been provided to the applicant with the knowledge that this information is available to the public.</p>	<p>b. Personal information contained within the grant application folders should not be released under FOI unless permission has been sought to publish this information.</p> <p>Grade: B1</p>	<p>b. Acceptance: Rejected Management Response: We cannot see how releasing details of tenders/prices (once the submission deadline is passed) is commercially sensitive. Indeed, it is good practice with regards to formal tenders to provide a breakdown of prices to all tenderers post-deadline. Timescale for Action: Responsible Officer:</p>
C1.3	Completed applications forms are held on file and have been signed by the applicant.	✓	Testing confirmed that the approved applications had been completed in full and had been signed and dated by the applicant.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
C1.4	The documented procedures have been followed throughout the application process.	✓	<p>The grant application files were reviewed to provide assurance that the documented procedures set out in the CAG protocol document have been followed.</p> <p>All of the grants that were reviewed were offered at the rate of 25% of the lowest tender and evidence was provided to confirm that the grants are reviewed by a second person. It was also pleasing to note site visits being recorded on file.</p> <p>A few opportunities were identified which would ensure that the current grant folders contain complete records. These included inclusion of the Certificate of Title on the most current grant file, reissuing of the Deed of Covenant to the applicant if the offer is altered due to unforeseen works, holding photos on file, and holding agreement of the proposed offer received from CADW on the file it relates to.</p>	<p>A process should be established to ensure that the current grant folders contain complete records (including following up on the opportunities identified from file testing).</p> <p>Grade: B3</p>	<p>Acceptance: Partially Accepted Management Response: Agreed with two exceptions. Firstly, we tend to keep all photos on the F drive, given that grant files are generally destroyed after 7 years. Secondly, there is a concern of duplication in providing background financial information on the grant folder itself. General issues such as information on external funding and drawing down funds are typically kept on the general files, the existence of which is cross-referenced on the cover of each grant folder. Timescale for Action: Immediate Responsible Officer: Building Conservation Officer</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
C2	Monitoring & Reporting				
C2.1	Conservation Area Grant Scheme assessment sheets are maintained.		The 2012-13 scheme assessment sheet was used to record many of the documents contained within the check lists that are included on the grant files. The 2013-14 sheet has been altered and does not capture pertinent dates for the issue or receipt of documentation, commencement/completion of works, site visits and payments.	Providing it is regularly maintained, consideration should be given to reverting back to the 2012-13 scheme assessment sheet template that provides all of the relevant information regarding grants in one place. Grade: C2	Acceptance: Accepted Management Response: As per recommendation. Timescale for Action: Immediate Responsible Officer: Building Conservation Officer
C3	Budgetary Control				
C3.1	Grants awards paid are reconcilable to the financial ledger.		Testing confirmed that the grant monies paid in 2012-13 & 2013-14 were reconcilable to the ledger.	-	-

IT Risk (SECTION D)

This report may contain personal data as defined by the Data Protection Act 1998, which must be treated as strictly private and confidential.

1.0 Introduction

- 1.1 An audit review of the IT Risks has been carried out as part of the 2013-14 Internal Audit Plan. The last review of IT was completed in 2010-11.
- 1.2 As agreed with PCNPA, the audit review focused specifically on the following areas:
 - Logical Security
 - Physical Security
 - Disaster Recovery

2.0 Audit Opinion and Assurance Statement

- 2.1 **Substantial Assurance**⁹ can be given on the adequacy and effectiveness of the Logical Security, Physical Security and Disaster Recovery arrangements in place.
- 2.2 Key areas of weakness and risk, good practice and opportunity for improvement identified during the audit review are summarised below:
 - The ICT User policy and the ICT Disaster Recovery Plan now require updating to ensure they are current, up to date and include all relevant information.
 - The ICT Disaster Recovery plan should be tested on a regular basis to ensure that it works as expected and identify any potential opportunities for improvement.
 - Certain personal information of employees is currently e-mailed to Carmarthenshire for input onto the payroll system but this data is not currently encrypted to protect it from unauthorised access.
 - There can be issues with IT being informed of leavers in order for them to remove their access. A process needs to be established to ensure that access is promptly removed for all leavers.

⁹ A definition of the Assurance Ratings are shown at Appendix A

2.3 A summary of the recommendations for Section B is shown in the table below:



Expected Arrangements (Controls)		Adequate & Effective ¹⁰	Recommendations ¹¹						
			A1	A2	B1	A3	B2	C1	Other
LOGICAL SECURITY									
D1	Policies & Procedures	✘	0	1	0	1	0	0	0
D2	Prevention of External Access	✓	0	0	0	0	0	0	1
D3	Access Controls	✓	0	0	0	0	1	0	1
PHYSICAL SECURITY									
D4	Policies & Procedures	✓	0	0	0	0	0	0	0
D5	Physical Entry Controls	✓	0	0	0	0	0	0	2
D6	Environmental Controls	✓	0	0	0	0	0	0	0
D7	Maintenance of Equipment	✓	0	0	0	0	0	0	0
D8	Recording & Insurance	✓	0	0	0	0	0	0	1
D9	Use of Equipment Off Site	✓	0	0	1	0	0	0	0
D10	Disposal of Equipment	✓	0	0	0	0	0	0	1
D11	Third Party Usage	✓	0	0	0	0	0	0	0
DISASTER RECOVERY									
D12	The Corporate Plan	✓	0	1	0	0	0	0	0
D13	Ownership & Management	✓	0	0	0	0	0	0	0
D14	Risk Assessment & Prevention	✓	0	0	0	0	0	0	1
D15	IT Users' Plans	✘	0	0	0	0	1	0	0
D16	Resourcing	✓	0	0	0	0	0	0	0
D17	Training	✘	0	0	0	0	1	0	1
D18	Testing the Plan	✘	0	0	1	0	0	0	0
Total			0	2	2	1	3	0	8

¹⁰ A definition of the Adequate & Effective Ratings are shown at Appendix B


¹¹ A definition of the Recommendation Gradings are shown at Appendix A



SECTION D – IT RISK ACTION PLAN




No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
LOGICAL SECURITY					
D1	Policies & Procedures				
D1.1	An access control policy is in place which defines responsibilities, access controls in place, segregation of access control roles (e.g. request, authorise, administer), and the removal of access rights.	X	There is currently no access control policy in place.	It would be good practice to document an access control policy (which should be formally approved by Members) setting out responsibilities for access control, the access controls in place, and the procedures for setting up, amending, and deleting access rights. Grade: A3	Acceptance: Partially Accepted Management Response: See below Timescale for Action: During 2014 Responsible Officer: Business & Performance Manager
Management Response: Access permissions are Read-only for everybody to all files apart from restricted Finance and HR folders. Members of a team have Update permissions on their team folders only. Access rights are set (and changed) by the IT team, in consultation with services – requests for change must be from team leaders. The Committee Members Security Group can also change permissions on the F: drive, and GIS Managers Group on the G: drive. Insufficient staff for segregation of duties and not appropriate to have Member approval for policy.					

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D1.2	An acceptable usage policy is in place which includes objectives, applicable persons, acceptable use rules for e-mail, internet and mobile devices, date reviewed and action taken in the result of a breach.		<p>An ICT User Policy is in place but this is dated 2008-2012 and is now out of date. The policy sets out the objectives, applicable persons, acceptable use rules for e-mail, internet, phones, printers and copiers, and potential consequences in the event of a breach. The policy should now be reviewed and updated.</p> <p>Employees are all required to sign up to the ICT User Policy on commencement of their employment and will be required to resign once the policy has been updated. The new HR system which has recently been purchased may allow employees to sign up to policies electronically.</p>	<p>The ICT User Policy should be updated as soon as possible to ensure it remains current and up to date. Employees should then be required to re-sign up to the policy and should be required to re-sign up on a periodic basis.</p> <p>Grade: A2</p>	<p>Acceptance: Accepted Management Response: IT User Policy will be updated Timescale for Action: During 2014 Responsible Officer: Business & Performance Manager</p>
D2	Prevention of External Access				
D2.1	The Authority has a challenge/response mechanism in place over external user access.		The PCNPA has an external perimeter Cisco ASA 5515X firewall and Threat Management Gateway in place to prevent external access.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D2.2	A firewall is located in the de-militarized zone and runs on a hardened platform.	✓	The firewall is not located in the de-militarized zone of the computer network but the Threat Management Gateway is. The firewall is run on a hardened platform (i.e. a dedicated server).	-	-
D2.3	Contingency arrangements are in place for the firewall in the result of a server failure.	✗	There are currently no contingency arrangements in place in the event of the firewall server failing. The server does have a lifetime warranty but if there were any issues there is no contingency whilst awaiting the issues to be resolved. Internal Audit was informed that there is a spare Adaptive Security Appliance (ASA) which could be prepared to act as a contingency in the event of a failure.	The spare ASA should be prepared and tested to provide contingency in the event of the firewall server failing. Grade: B3	Acceptance: Accepted Management Response: ASA will be tested Timescale for Action: October 2014 Responsible Officer: IT Manager
D2.4	A record is maintained of the services and commands which are allowed via the firewall.	✓	Internal Audit was provided with a record of the various protocols and ports that are allowed via the firewall.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D3	Access Controls				
D3.1	Access to the network is restricted at the log on stage via unique user ID and password.		<p>Access to the network is restricted via unique user ID and password. Passwords are hidden on entry and users are required to change their default password the first time they use the system. Users are prevented from re-using their old passwords on the next 5 occasions.</p> <p>Passwords are required to be at least 7 characters and contain at least 3 of 4 categories (upper case letters, lower case letters, numbers, and special characters). Users are forced to change their password every 90 days and log on is restricted to 5 attempts.</p> <p>In the event of unauthorised access attempts, the user account is locked for 30 minutes or until cleared by a system administrator.</p>	-	-



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D3.2	The network carries out a controlled log off after a specific length of time when users leave their workstation unattended.		If users leave their workstation unattended the network does not currently carry out any controlled log off after a specific length of time.	Where users leave their workstation unattended, it would be good practice to introduce a controlled log off after a specific length of time. Grade: B3	Acceptance: Accepted Management Response: Will investigate if this can be introduced as standard policy automatically, although risk is considered low. Timescale for Action: December 2014 Responsible Officer: IT Manager
D3.3	Access to individual applications is protected by unique user ID and password.		Assurance was given that access to individual applications is protected (either linked to sign on or via individual user ID and password).	-	-



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D3.4	Access to set up, amend or delete users is restricted to authorised personnel.		Access to set up, amend and delete users on the network is restricted to the 5 system administrators. Responsibility for setting up, amending and deleting user access for individual systems is varied with IT responsible for some (e.g. Planning) whilst system administrators within the departments are responsible for others (e.g. Finance, HR).	-	-
D3.5	Users have been made aware of their responsibilities when using the network.		Users have been made aware of their responsibilities when using the network via the ICT User Policy but as stated this does now require updating.	Refer to recommendation D1.2	Refer to recommendation D1.2
D3.6	Users have been made aware of their responsibilities in respect of unattended equipment.		The ICT User Policy informs users of their responsibilities in respect of unattended equipment.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D3.7	Processes are in place to promptly notify system administrators of leavers and changes of duties in order that access rights may be removed or amended.	✓	<p>An exit checklist is in place setting out the different actions required by each department (one of which is IT in relation to removing access etc.). The service manager should e-mail the IT department with details of any leavers but this system is reliant on managers and Internal Audit was informed that there can be issues with IT not being informed.</p> <p>The Finance team produce a monthly report of all leavers and a spreadsheet record is also maintained. These details could be provided to IT periodically (ideally at least weekly) to ensure that access for all leavers is removed promptly.</p> <p>A sample of leavers was selected and assurance was given that access had been removed for each.</p>	<p>The process of removing access for all leavers should be improved so reliance is not placed on managers informing IT. The best option would appear to be Finance producing a report of all leavers for IT on a periodic basis.</p> <p>Grade: B2</p>	<p>Acceptance: Accepted Management Response: Finance to notify IT of leavers each month. Timescale for Action: October 2014 Responsible Officer: Finance Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D3.8	User access rights are reviewed on a regular basis (e.g. annually) to ensure they remain appropriate.	✓	Internal Audit was informed that this is done on an informal basis.	Refer to recommendation D3.7	Refer to recommendation D3.7
PHYSICAL SECURITY					
D4	Policies & Procedures				
D4.1	The Authority has established an IT security policy which has been approved by Members and is subject to regular review.	✓	As stated in D1.2, an ICT User Policy is in place (which encompasses IT Security) but this is dated 2008-2012 and is now out of date.	Refer to recommendation D1.2	Refer to recommendation D1.2
D4.2	Employees have been made aware of the IT security policy and data protection legislation.	✓	The ICT User Policy is available to employees on the PCNPA intranet site.	-	-
D4.3	A specific employee within IT has been given responsibility for operational and physical security.	✓	The Head of Business Management and the IT Manager have been given overall responsibility for operational and physical security.	-	-




No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D5	Physical Entry Controls				
D5.1	Physical access to buildings is restricted.	✓	<p>Assurance was given to Internal Audit that there are adequate physical controls to restrict access to PCNPA buildings (e.g. swipe card access at HQ) though there are weaknesses at Castell Henllys and Cilrhedyn.</p> <p>However, Castell Henllys is currently being renovated and this should resolve the issues there whilst there is potential for the office at Cilrhedyn timber store to be accessed by members of the public. However, the risk is deemed to be minimal as there is no equipment of real value and no personal/confidential data held.</p>	-	-



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D5.2	IT equipment (e.g. servers and routers) is located within a secure area and access is restricted to authorised employees.		<p>The main server room at HQ is located within a secure area with access restricted. Servers are contained in locked cabinets within the server room.</p> <p>The other server rooms are located at Oriel-y-Parc and Tenby TIC. Staff members are able to access this area but again servers are contained within locked cabinets. Internal Audit was informed that there can be issues with items being stored in the vicinity of the server cabinets which can hinder access to them.</p>	<p>Clear access to the server cabinets should be allowed and the area should not be used for storage if this hinders access.</p> <p>Grade: B3</p>	<p>Acceptance: Accepted Management Response: Site managers will be reminded about not restricting access. Timescale for Action: April 2014 Responsible Officer: IT Manager</p>
D5.3	Computer rooms and data centres are sited away from areas accessible to the public.		Assurance was given that the server rooms at HQ, Oriel-y-Parc and Tenby TIC are all situated away from areas accessible to the public.	-	-


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D5.4	Controls have been established in respect of visitors to the buildings (and secure areas) and employees working within the building (and secure areas) are instructed to challenge anyone not wearing a badge.		Visitors to HQ are required to sign in and as mentioned access to the server room is restricted. However, Internal Audit was informed that there are solar panels situated above the IT server room and for these to be maintained, contractors have to be given access by IT but are then left alone whilst they work.	Control should be established to ensure that visitors to the server room are accompanied at all times. Grade: B3	Acceptance: Rejected Management Response: Impractical as insufficient staff to monitor contractors for long periods. Risk is low as few contractors involved and generally they are well known. Timescale for Action: Responsible Officer:
D6	Environmental Controls				
D6.1	Precautions have been taken to protect IT equipment from environmental risks (e.g. fire, water damage, extreme temperatures, dust).		The main server room in HQ has air conditioning to protect the IT equipment from overheating. Other precautions were considered but were deemed too expensive.	-	-




No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D6.2	Equipment is protected from interference to the electrical supplies (e.g. loss of supply).	✓	Internal Audit was informed that there is an uninterrupted power supply (UPS) at HQ (for a period of approximately half an hour) with smaller UPS's at Tenby TIC and Oriel-y-Parc. The UPS's self test every two weeks and e-mail notifications are sent to the IT team.	-	-
D7	Maintenance of Equipment				
D7.1	Controls are in place to ensure that equipment is maintained on a regular basis in order to minimise failure (e.g. servers, air con systems, fire prevention systems).	✓	Servers are replaced approximately every 5 or 6 years and have a 3 or 4 year warranty period. Next day manufacturing support is also in place. The air conditioning in the IT server room is maintained annually.	-	-


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D7.2	Adequate controls are in place in respect of equipment (and the information they contain) sent off site for repair to ensure that they are protected from unauthorised access.	✓	Internal Audit was informed that an onsite warranty is in place and that equipment is never sent off site for repair.	-	-
D8	Recording & Insurance				
D8.1	All items of IT equipment are recorded in an inventory and this is promptly updated to reflect any changes.	✓	<p>An inventory of IT equipment is maintained and is updated to include any new acquisitions and disposals. However, Internal Audit was informed that this is not always completed promptly and the inventory does now need updating to reflect the current stock.</p> <p>A sample of items was selected from the inventory and were all trailed to the physical item.</p>	<p>The inventory of IT equipment should be updated as soon as possible, and on a regular basis thereafter, to ensure it accurately reflects the current stock.</p> <p>Grade: C2</p>	<p>Acceptance: Accepted</p> <p>Management Response: Inventory will be updated as soon as practical.</p> <p>Timescale for Action: October 2014</p> <p>Responsible Officer: IT Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D8.2	All items of IT equipment are security marked as belonging to the Authority and allocated a unique reference number.		All IT equipment is allocated a unique reference number. Equipment was previously security marked but this was deemed to be too expensive and equipment is now just labelled.	-	-
D8.3	Appropriate insurance cover is maintained for all IT equipment and this also covers equipment which is used off site.		Assurance was given that adequate insurance cover is maintained for all IT equipment and that this also covers equipment used off site. An annual review of insurance requirements is undertaken.	-	-
D9	Use of Equipment Off Site				
D9.1	Employees have been instructed on how to secure IT equipment owned by the Authority where it is used off site.		The ICT User Policy includes details on the security of equipment where it is used off site (e.g. not to be left in vehicle).	-	-




No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D9.2	Where data is transferred between the Authority's equipment and another organisation there are appropriate virus checking/encryption procedures in place.		The PCNPA uses Sophos antivirus software. Internal Audit was informed that there is very little personal and confidential data held. However, certain information (e.g. travel claims) containing personal data is currently e-mailed to Carmarthen for input onto the system but is not encrypted to protect it from unauthorised access.	Procedures should be established to ensure that personal and confidential data sent electronically is adequately protected (e.g. encryption). Grade: B1	Acceptance: Partially Accepted Management Response: Will review sensitivity of the data transferred and consider security options. Timescale for Action: October 2014 Responsible Officer: Finance Manager
D9.3	Procedures are in place to ensure that access to confidential material is controlled when equipment is used off site.		Internal Audit was informed that the PCNPA holds very little confidential material. The ICT User Policy does however refer to the procedures for ensuring any confidential material is secure when off site (e.g. use of passwords, storage of equipment).	-	-



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D10	Disposal of Equipment				
D10.1	Equipment is only disposed of if appropriate authorisation is obtained in accordance with the Authority's Financial Standards.		<p>An Asset Disposal Log is maintained and a Disposal of Assets form must be completed which requires authorisation from the Head of Business Management.</p> <p>An annual exercise is undertaken to identify any old equipment which requires replacing. This equipment is then advertised to staff who can bid to purchase it. Any unwanted equipment or obsolete equipment is then disposed of through Keep Wales Tidy.</p> <p>A sample of disposals was selected and all had been authorised for disposal in accordance with the PCNPA Financial Standards. However, one list of equipment had not been authorised until over a year after disposal.</p>	<p>All disposals should be approved prior to the equipment being disposed.</p> <p>Grade: C2</p>	<p>Acceptance: Accepted Management Response: As per recommendation. Timescale for Action: 2014/15 Responsible Officer: IT Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D10.2	All data and software is removed from equipment prior to disposal.		Assurance was given that all equipment is wiped in-house using Darik's Boot And Nuke (DBAN) software prior to it being disposed.	-	-
D10.3	Procedures are in place to ensure the IT inventory is immediately updated to record the disposal of the equipment.		As stated, Internal Audit was informed that the inventory is not always updated promptly and the inventory does now need updating to reflect the current stock.	Refer to recommendation D8.1	Refer to recommendation D8.1
D11	Third Party Usage				
D11.1	Written contractual agreements are in place in respect of data and IT facilities exchanged which detail the security provisions and standards the Authority requires other organisations to adhere to.		The contract for the new Finance system was viewed by Internal Audit as an example and this detailed the requirements of PCNPA and the contractor in terms of confidentiality and security of data.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
DISASTER RECOVERY					
D12	The Corporate Plan				
D12.1	A corporate IT disaster recovery and business continuity plan is in place which has been approved by Members and is subject to regular review.		An ICT Disaster Recovery Plan is in place but is approximately 4 years old and has not been approved by Members. The plan is currently in the process of being reviewed and updated.	The ICT Disaster Recovery Plan should be reviewed and updated as soon as possible ensuring that procedures for keeping employees informed and the contact details of key employees are included. Senior Managers should be consulted as part of this process and the plan should then be formally approved by Members. Grade: A2	Acceptance: Accepted Management Response: DR plan is being reviewed. Timescale for Action: December 2014 Responsible Officer: Business & Performance Manager

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D12.2	The plan sets out the initial responses that need to be taken in the event of an emergency and clearly sets out instructions for invoking the plan and the engagement of any outside providers (i.e. covering transfer of resources, transfer and security of data).	✓	The ICT Disaster Recovery Plan clearly sets out the initial responses and instructions for invoking the plan along with details of the responsible officers.	-	-
D12.3	Procedures are in place to ensure that employees and other interested parties are kept up to date on the status of the disaster.	✓	The ICT Disaster Recovery Plan includes procedures for posting an emergency message on the PCNPA website, informing the press, and informing members. However, there are no details included on how employees would be kept informed of any incident or change of location.	Refer to recommendation D12.1	Refer to recommendation D12.1



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D12.4	Procedures include a master list of key individuals and their contact details.		The ICT Disaster Recovery Plan includes details of key individuals. However, contact details for all of these officers are not included (e.g. details for the IT Manager and IT Network Officer are not included).	Refer to recommendation D12.1	Refer to recommendation D12.1
D13	Ownership & Management				
D13.1	Overall responsibility for IT disaster recovery and business continuity planning has been formally assigned to a Director or Head of Service.		Overall responsibility for IT disaster recovery and business continuity planning has been assigned to the Head of Business Management.	-	-
D13.2	A senior manager has been formally assigned overall responsibility for the 'day-to-day' management of the process.		Overall responsibility for the 'day to day' management of the IT disaster recovery and business continuity process has been assigned to the IT Manager.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D13.3	Heads of Service and relevant senior managers were involved in the development of the plan.		Senior managers were not involved in the development of the ICT Disaster Recovery Plan but will now be consulted when the plan is reviewed and updated.	Refer to recommendation D12.1	Refer to recommendation D12.1
D14	Risk Assessment & Prevention				
D14.1	Business impact and risk assessments are carried out on a regular basis (i.e. at least annually) to identify the high level risks which could arise through a complete or partial loss of IT data processing facilities.		<p>The ICT Disaster Recovery Plan considers 2 main disaster scenarios/risks, the short term loss of the IT systems at HQ (e.g. bomb alert, major failure of IT systems) and the longer term loss of the HQ building (for more than 3 days).</p> <p>The plan states that there are many different types of disaster and that the plan must therefore be adapted to the particular circumstances.</p>	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D14.2	An up-to-date business systems inventory that records all business systems and key activities is in place and business impact reviews have been carried out to establish the criticality of these systems.	✓	A list of essential capabilities (to be available within the first 2 days) and other capabilities (which may be needed during this period or to be made available after 48 hours) is included within the ICT Disaster Recovery Plan. However, this does now need updating.	Refer to recommendation D12.1	Refer to recommendation D12.1
D14.3	Data is backed up on a regular basis and are held securely off site.	✓	<p>Data is backed up on a daily basis (and overwritten each week) and tapes are held in a secure location approximately 100 yards away from the PCNPA main office. There is a risk (depending on the disaster) that both sites could be affected and these backups would not be available.</p> <p>Weekly and monthly data backups (on a three week and three month cycle) are also produced and tapes are stored at various officers' homes.</p>	<p>A log of restores made from backups should be maintained. Any gaps in testing can then be identified to ensure backups are tested on a periodic basis.</p> <p>Grade: B3</p>	<p>Acceptance: Accepted Management Response: Log will be introduced. Timescale for Action: April 2014 Responsible Officer: IT Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D14.3 (cont)			<p>Internal Audit was informed that these tapes would contain personal data but the risk of data loss is minimal as the tapes could only be accessed via the PCNPA domain. A 4 monthly backup is also produced (this is never overwritten) and is archived in the same location as the daily tapes.</p> <p>Backups are not tested as a routine procedure but restores are required on approximately a monthly basis. No record of these restores is retained.</p>		
D15	IT Users' Plans				
D15.1	IT users (i.e. individual services) are required to establish IT disaster recovery and business continuity plans in respect of their business areas.	X	<p>Individual departments are not required to establish their own IT disaster recovery and business continuity plans. Due to the relatively small size of the Authority, it is believed that the ICT Disaster Recovery Plan and Major Incident Response Plan would cater for all scenarios.</p> <p>However, individual plans for key functions/systems should be established.</p>	<p>Individual disaster recovery and business continuity plans should be established for key functions/systems (e.g. payroll, creditors).</p> <p>Grade: B2</p>	<p>Acceptance: Accepted Management Response: Will be considered as part of overall DR Plan. Timescale for Action: December 2014 Responsible Officer: Business & Performance Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D16	Resourcing				
D16.1	IT disaster recovery and business continuity planning has its own budget code and sufficient financial resources have been allocated to ensure agreed actions can be taken.	✓	Internal Audit was informed that reserves are in place which could be used in the event of a disaster.	-	-
D16.2	The Authority is adequately insured and advice from the Authority's insurers is sought, reviewed and appropriately actioned.	✓	Assurance was given that the Authority is adequately insured and an annual review of all insurance requirements is undertaken.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D17	Training				
D17.1	Key IT and relevant employees have been made fully aware of their specific duties and responsibilities.		<p>The roles and responsibilities of key employees have been assigned and documented within the ICT Disaster Recovery Plan. Employees were made aware of their roles and responsibilities when the plan was originally developed approximately 4 years ago.</p> <p>Internal Audit was informed that reminders will be issued when the updated ICT Disaster Recovery Plan is published.</p>	<p>Key employees should be reminded of their roles and responsibilities (and provided with guidance) in terms of disaster recovery on a regular basis (i.e. annually or whenever the plan is updated or reviewed).</p> <p>Grade: B2</p>	<p>Acceptance: Accepted Management Response: Will be included in DR Plan. Timescale for Action: December 2014 Responsible Officer: Business & Performance Manager</p>
D17.2	Suitable training and guidance has been provided to all those involved in developing, maintaining and invoking the plan.		<p>At the time the plan was originally developed (approximately 4 years ago), key employees were provided with verbal guidance to ensure they understood their role. Internal Audit was informed that similar procedures will be initiated when the updated ICT Disaster Recovery Plan is published.</p>	<p>Relevant officer should be provided with a simple instruction sheet (e.g. key details, emergency contacts) which can be kept on their person to prompt them in the event of a disaster.</p> <p>Grade: B3</p>	<p>Acceptance: Accepted Management Response: Will be introduced with DR Plan. Timescale for Action: December 2014 Responsible Officer: Business & Performance Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
D18	Testing the Plan				
D18.1	Procedures are in place to ensure that the plan is regularly tested and tests are measurable in terms of whether the test was a success or failure.	X	There are currently no formal testing procedures in place. A walk through test was completed when the plan was first produced (4 years ago) but nothing since.	The ICT Disaster Recovery Plan should be tested (full and desk top testing) on a regular basis to review its robustness and identify any potential areas for improvement. Grade: B1	Acceptance: Accepted Management Response: Will be introduced with revised DR Plan. Timescale for Action: April 2015 Responsible Officer: Business & Performance Manager

Employee Costs (SECTION E)

This report may contain personal data as defined by the Data Protection Act 1998, which must be treated as strictly private and confidential.

1.0 Introduction

- 1.1 An audit review of Employee Costs has been carried out as part of the 2013-14 Internal Audit Plan.
- 1.2 As agreed with PCNPA, the audit review focused specifically on the following areas:
 - Recording & Monitoring of Working Hours
 - Employee Time Off
 - Flexible Hours Scheme

2.0 Audit Opinion and Assurance Statement

- 2.1 **Substantial Assurance**¹² can be given on the adequacy and effectiveness of the arrangements in place for the areas focused on in relation to Employee Costs.
- 2.2 Key areas of weakness and risk, good practice and opportunity for improvement identified during the audit review are summarised below:
 - With the current flexi system of manually recording hours worked there is potential for error and abuse, particularly where monitoring by management is not undertaken on a regular basis. The introduction of an electronic flexi system (e.g. swipe card) would improve the controls in place and assist monitoring. Whilst it is appreciated that such systems have a cost this should be investigated further to consider the costs and benefits associated.
 - Some opportunities for improvement in terms of maintaining timesheets were identified including ensuring that all hours worked are recorded and that these are then signed off by the employee to confirm them as correct.

¹² A definition of the Assurance Ratings are shown at Appendix A

2.3 A summary of the recommendations for Section B is shown in the table below:

Expected Arrangements (Controls)		Adequate & Effective ¹³	Recommendations ¹⁴						
			A1	A2	B1	A3	B2	C1	Other
RECORDING & MONITORING OF WORKING HOURS									
E1	Establishment Records	✓	0	0	0	0	0	0	1
E2	Timesheets	✓	0	0	0	0	0	0	2
E3	Overtime	✓	0	1	0	0	0	0	0
EMPLOYEE TIME OFF									
E4	Policies & Procedures	✓	0	0	0	0	0	0	1
E5	Annual Leave	✓	0	0	0	0	1	0	2
E6	Sickness	✓	0	0	0	0	0	0	1
E7	Public Duties & Special Circumstances	✓	0	0	0	0	0	0	0
FLEXIBLE HOURS SCHEME									
E8	Policies & Procedures	✓	0	0	0	0	0	0	1
E9	Flexi Leave	✗	0	1	0	0	1	1	1
E10	Monitoring	✗	0	0	0	0	0	0	0
Total			0	2	0	0	2	1	9

¹³ A definition of the Adequate & Effective Ratings are shown at Appendix B

¹⁴ A definition of the Recommendation Gradings are shown at Appendix A

SECTION E – EMPLOYEE COSTS ACTION PLAN

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
RECORDING & MONITORING OF WORKING HOURS					
E1	Establishment Records				
E1.1	The establishment structure is recorded and updated by the Personnel section, independently of the Payroll section.	✓	<p>Due to the small size of the organisation and the team there is no separation of duties between setting up new starters and setting up their pay details. However, a monthly report of all new starters is signed off by the Finance Manager which does provide some form of monitoring.</p> <p>A new HR System has recently been purchased but this will not link with the payroll system. Regular reconciliation of the two systems should again improve the controls in this area.</p>	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E1.2	A starter form has to be completed for all new starters and has to be signed by both the employee and an authorised signatory to confirm the hours as correct.	✓	A sample of new starters was tested and an authorised starter form was present for each. The working hours of each employee were also satisfactorily trailed to the payroll system.	-	-
E1.3	Amendments to the establishment (e.g. regarding changes from part time to full time working) are approved by an authorised signatory.	✓	<p>The Finance team are informed of amendments to working hours via an e-mail from the authorised signatory.</p> <p>A sample of amendments to working hours was selected and all were satisfactorily trailed to the payroll system. However, evidence of authorisation from the line manager was not always present.</p>	<p>Evidence of authorisation should be retained for all amendments to hours.</p> <p>Grade: C2</p>	<p>Acceptance:</p> <p>Partially Accepted</p> <p>Management Response:</p> <p>In this instance the Authorisation was not held on the employee file but in an email. In future all authorisations will be placed on the employee's file.</p> <p>Timescale for Action:</p> <p>Immediate</p> <p>Responsible Officer:</p> <p>Payroll Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E1.4	Data input to the establishment record is checked for correctness and completeness.	✓	As mentioned, due to the small size of the organisation and the team there is no separation of duties or check of information input onto the payroll system. However, a monthly report of all new starters is signed off by the Finance Manager which does provide some form of monitoring. This has been raised as an issue previously and the risk accepted.	-	-
E1.5	Each department is required periodically to confirm the accuracy of a schedule containing the names of all employees, the post held, salary grade and hours worked.	✓	Assurance was given that a payroll certification is e-mailed to departments on an annual basis for them to confirm the accuracy of the details recorded.	-	-



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E2	Timesheets				
E2.1	Payments to non salaried employees are supported by a valid timesheet which records details of the hours worked on a daily basis.	✓	<p>The working hours of non salaried staff are manually recorded on a weekly time sheet that should be certified by each staff member and authorised by their manager on a weekly basis.</p> <p>A sample of payments to non salaried employees was satisfactorily reconciled to the payroll system and supporting records.</p> <p>However, there were a number of instances observed at Carew Castle where the hours worked had not been recorded on the supporting timesheet. It was indicated by the manager that these hours would have been reconciled to an electronic record that is also maintained.</p>	<p>All hours worked should be recorded on the manual timesheets signed off by the employee and line manager in order that they can be reconciled to the information submitted to payroll.</p> <p>Grade: C2</p>	<p>Acceptance: Accepted</p> <p>Management Response: All timesheets shall be signed off.</p> <p>Timescale for Action: Immediate</p> <p>Responsible Officer: Carew Castle Manager</p>



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E2.2	Timesheets are reconciled to rotas and are signed by the employee and line manager to confirm the hours worked as correct.	✓	<p>Timesheets should be certified by the employee and reconciled to rotas on a weekly basis before being authorised by the line manager. The controls in place were observed as working effectively.</p> <p>Testing confirmed that the hours claimed reconciled to the supporting rotas. Recording of shifts that had been swapped between employees was observed as working effectively.</p> <p>However, there were a number of instances observed at Carew Castle where the timesheets had been authorised by the manager but had not been certified by the employee.</p>	<p>Non salaried employees must certify their weekly time sheet to confirm its accuracy prior to authorisation from their line manager.</p> <p>Grade: C2</p>	<p>Acceptance: Accepted</p> <p>Management Response: All timesheets shall be signed off.</p> <p>Timescale for Action: Immediate</p> <p>Responsible Officer: Carew Castle Manager</p>
E2.3	Timesheets are submitted for payment independently.	✓	Testing identified no issues of employees authorising and submitting their own timesheets to payroll for payment.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E2.4	Timesheets are accurately entered onto the payroll system.	✓	<p>Timesheets are submitted to the Finance team and the Payroll Manager enters them onto the payroll system for payment.</p> <p>A sample of timesheets was selected and reconciled to the payroll system to confirm that the hours worked had been recorded correctly. No issues were arising.</p>	-	-
E3	Overtime				
E3.1	Overtime payments are supported by an official claim form which records details of the additional hours worked.	✓	<p>PCNPA procedure is for all overtime payments to be recorded on an official claim form.</p> <p>A sample of overtime claims was selected and each claim had been submitted on an official claim form.</p>	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E3.2	Overtime claim forms are signed by the employee and line manager to confirm the additional hours worked as correct.	✓	<p>PCNPA procedure is that all overtime claims should be signed by the employee and the line manager to confirm the additional hours worked as correct.</p> <p>A sample of overtime claims was selected and each had been signed by both the employee and the line manager.</p>	-	-
E3.3	Overtime claim forms are submitted for payment independently.	✓	Testing identified no issues of employees authorising and submitting their own overtime claims to payroll for payment.	-	-
E3.4	Overtime claim forms are accurately entered onto the payroll system.	✓	<p>Overtime claims are submitted to the Finance team and the Payroll Manager enters them onto the payroll system for payment.</p> <p>A sample of overtime claims was selected and reconciled to the payroll system to confirm that the additional hours worked had been recorded and paid correctly.</p>	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E3.4 (cont)			<p>Whilst the additional hours worked were all satisfactorily reconciled to the payroll system, there were some queries arising. For example, overtime had been claimed for hours which appeared as if they could have been claimed on flexi (e.g. between the hours of 4pm-5pm) but Internal Audit was informed that this would have been for work over and above their normal duties and had been authorised by their line manager.</p> <p>There were also instances where employees had been paid at basic rate on Sundays and bank holidays or had been paid at time and a half on weekdays but again Internal Audit was provided with explanations for each of these and all had been approved by the line manager.</p>	<p>A corporate Overtime Policy should be documented and any variations from this should be approved by the relevant Head of Service.</p> <p>Grade: A2</p>	<p>Acceptance: Rejected Management Response: Already covered in employment Terms & Conditions. Timescale for Action: Responsible Officer:</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
EMPLOYEE TIME OFF					
E4	Policies & Procedures				
E4.1	A policy on employee time off has been documented, approved by Members, and is subject to regular review.		A 'Time Off Work Provisions' policy has been documented and was approved by the Personnel Committee in November 2004. The policy was revised in October 2006 and again in 2011 but is now due for review.	The 'Time Off Work Provisions' policy should now be reviewed to ensure it remains relevant and up to date. Grade: B3	Acceptance: Rejected Management Response: Policy reviewed twice and will be formally updated in line with legislation. Timescale for Action: Responsible Officer:
E4.2	The policy on employee time off is readily available to employees.		Internal Audit was informed that the "Time Off Work Provisions" policy is available to employees on the PCNPA intranet site. A sample of employees confirmed that they were aware of the existence and location of the "Time Off Work Provisions" policy.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E5	Annual Leave				
E5.1	A consistent approach for recording and monitoring annual leave entitlement, leave taken, and remaining balances is in place across the Authority.		<p>Manual annual leave forms are used at present. However, the new HR system (Access Select) is due to go live in January 2014 and all leave requests will then be processed via this system. This should help to provide greater consistency and further improve the controls currently in place.</p> <p>A sample of employees was selected and the annual leave records maintained were consistent and recorded the employees entitlement, leave taken and remaining balance.</p>	-	-
E5.2	A set period during which annual leave can be taken has been defined.		<p>Annual leave allocations must be taken between the period January to December.</p> <p>A sample of employees was selected and all annual leave records were for the defined period.</p>	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E5.3	Limits on the amount of annual leave that can be taken during the defined period have been set.	✓	<p>New starters receive an annual leave allocation of 23 days (unless they have previous local government service which would then be counted towards their allocation). An additional day is awarded for each year worked with PCNPA up to a maximum of 28 days.</p> <p>These limits were introduced in 2006 and prior to this the maximum allocation was 30 days. Employees who received 30 days leave at this time were protected and continue to receive 30 days per annum.</p> <p>A sample of employees was selected and their annual leave allocation was within the limits set.</p>	-	-


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E5.4	Procedures are in place to ensure annual leave entitlement is calculated correctly for employees who join part way through the annual leave calendar.	✓	Annual leave entitlement would be calculated between the administration support in Personnel and the administration support in the relevant department.	-	-
E5.5	Annual leave requests are approved by an authorised signatory.	✗	<p>All annual leave requests should be subject to approval from an authorised signatory.</p> <p>A sample of employees was selected and whilst evidence of approval was available for some, for others the approval was not. Internal Audit was informed that some managers choose to evidence approval at year end. There is a risk that any anomalies/errors would not then be identified.</p> <p>The introduction of the new HR system for recording leave should remedy this issue.</p>	<p>All annual leave requests should be subject to approval by line management prior to the event and this process should be evidenced.</p> <p>Grade: C2</p>	<p>Acceptance: Accepted</p> <p>Management Response: New HR system should remedy this.</p> <p>Timescale for Action: 2014</p> <p>Responsible Officer: HR Manager</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E5.6	Procedures are in place for instances where an employee requires time off but has used their leave allocation.	✓	<p>Additional holiday (up to a maximum of 10 days) can be purchased at the start of each year if an employee expects to exceed their leave allocation. The cost of this is currently calculated on calendar days rather than working days.</p> <p>If additional leave is required during the year then this would depend on the individual circumstances. The leave required may come under one of the other leave categories within the Time Off Work Provisions Policy (e.g. compassionate leave) or leave may be taken from the next years allocation depending on the timing and specific circumstances.</p>	<p>When calculating the costs of purchasing additional leave, it is important to ensure that all costs/contributions are included (e.g. pension, national insurance).</p> <p>Grade: C2</p>	<p>Acceptance: Rejected Management Response: The scheme is intended to leave the employees contracted salary and associated benefits unaffected. Timescale for Action: Responsible Officer:</p>



No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E5.7	Procedures are in place for instances where an employee has not used their full leave allocation.	✓	<p>Employees are entitled to carry over up to 3 days annual leave at year end (with authorisation from their team leader) or 4-5 days (with Head of Service authorisation).</p> <p>If additional leave was purchased at the beginning of the year then no carry over is permitted.</p>	-	-
E5.8	Procedures are in place to deal with employees who are entitled to holiday pay and these procedures comply with the relevant legislation.	✓	<p>If an employee has outstanding holidays at the time they leave PCNPA then they are paid for it. A standard calculation is used by the Payroll Assistant to calculate the payment.</p> <p>No specific testing of this area was able to be carried out due to time constraints.</p>	-	-
E5.9	Procedures are in place for instances where an employee's sickness coincides with a period of annual leave.	✓	<p>If an employee becomes ill during a period of annual leave then they will only be credited this time back if they inform the office at that time.</p> <p>However, Internal Audit was informed that this is not a common issue.</p>	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E5.10	Procedures are in place to deal with the annual leave of employees who are on long term sick leave.	✓	<p>If an employee is on long term sickness absence then their annual leave allocation is carried over until their return to work or will be paid if they subsequently leave employment.</p> <p>On occasions, and depending on the circumstances, employees have used their annual leave allocation to extend their period of full pay once their entitlement to full sick pay has been exhausted.</p>	<p>Employees should only be allowed to take annual leave after a period of sickness if a "fitness to work" certificate has been received by the Authority.</p> <p>Grade: B2</p>	<p>Acceptance: Rejected</p> <p>Management Response: We believe the recommendation to be contrary to employment legislation.</p> <p>Timescale for Action:</p> <p>Responsible Officer:</p>
E6	Sickness				
E6.1	A sickness absence policy is in place setting out the standards of attendance expected and absence management procedures.	✓	A Handling Attendance and Absence Relating to Sickness policy is in place and was approved by the Personnel Committee in November 2004. The policy has since been updated in 2007, 2011 and 2013.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E6.2	Sickness absence under 7 days is supported by a self certification form.	✓	Sickness absence for periods less than 7 days should be self certified using the standard self certification form. A sample of employees who had been sick for less than 7 days was selected and self certifications were present for each.	-	-
E6.3	Sickness absence over 7 days is supported by a doctor's certificate.	✓	Sickness absence for periods over 7 days should be certified by a doctor. A sample of employees who had been sick for over 7 days was selected and doctor's certificates were present for each.	-	-


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E6.4	Return to work interviews are undertaken between the employee and the manager.		<p>Managers are required to undertake return to work interviews with employees who have been absent due to sickness and a record of this should be maintained. Internal Audit was informed that a standard return to work form is in place but is not used by all managers.</p> <p>A sample of employees who had been absent due to sickness was selected and whilst assurance was provided that return to work interviews had been completed, evidence of this was not always available.</p>	<p>In accordance with the Handling Attendance and Absence Relating to Sickness policy, return to work interviews should be completed after each period of absence and evidence of this retained (the standard form in place would appear to be the ideal method for this). Completed forms could then be forwarded to Finance/Personnel (for inclusion on the employees' personal files) who could monitor and chase any outstanding.</p> <p>Alternatively, the policy could be amended in order that return to work interviews are only required after a defined period of sickness.</p> <p>Grade: C2</p>	<p>Acceptance: Rejected</p> <p>Management Response: The Authority policy doesn't make the Return to Work form mandatory – managers need to be proportionate and pragmatic.</p> <p>Nevertheless the Statement of Absence form does annotate that the line manager has discussed the absence with the employee.</p> <p>Timescale for Action:</p> <p>Responsible Officer:</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E6.5	Procedures are in place to deal with persistent sickness absences.	✓	<p>The Personnel Manager informed Internal Audit that there are no issues with persistent short term absences.</p> <p>For absences over 20 days, the manager will maintain contact by telephone and regular visits. If the absence continues for a period of over 2 months then a referral is made to the Occupational Health advisors.</p>	-	-
E6.6	Sickness absence targets have been set and absence statistics are collated and reported on a regular basis.	✓	<p>A target of two days (full time equivalent) lost to sickness absence per quarter has been set.</p> <p>Performance against this target is reported to the Audit and Corporate Services Committee on a quarterly basis.</p> <p>For 2013-14 quarter 1 period (April - July 2013) actual days lost were 2.13 and for the quarter 2 period the actual days lost were 2.06 (both marginally over target).</p>	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E7	Public Duties & Special Circumstances				
E7.1	Procedures are in place to allow employees time off for public duties and special circumstances (e.g. compassionate leave, study leave, maternity/paternity leave).		Procedures to allow employees time off for public duties (e.g. jury service, trade union conferences) and special circumstances (e.g. compassionate leave, maternity leave, paternity leave, dependents emergency leave, training) are included within the Time Off Work Provisions policy.	-	-
FLEXIBLE HOURS SCHEME					
E8	Policies & Procedures				
E8.1	A policy on flexible hours has been documented, approved by Members, and is subject to regular review.		A Flexible Working Policy has been documented and was approved by the Personnel Committee in November 2003. The policy was updated in 2009 and 2011. The policy has not been reviewed since this time and whilst Internal Audit was informed that there have been no major changes, the policy should now be reviewed to ensure it remains accurate and up to date.	The Flexible Working Policy should be reviewed to ensure it remains accurate and up to date. Grade: B3	Acceptance: Rejected Management Response: The policy is already accurate and up to date. Timescale for Action: Responsible Officer:


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E8.2	The policy on flexible hours is readily available to employees.	✓	<p>The Flexible Working Policy is available to employees via the PCNPA intranet.</p> <p>A sample of employees confirmed that they were aware of the existence and location of the Flexible Working Policy.</p>	-	-
E9	Flexi Leave				
E9.1	A consistent approach for recording and monitoring flexible hours accrued, taken, and remaining balances is in place across the Authority.	✗	<p>Hours worked and flexi leave taken is currently recorded manually though the records maintained vary between departments. With the use of manual records there is a higher risk of errors and/or misuse.</p> <p>The introduction of an electronic flexi system (e.g. swipe cards) would provide greater consistency and greatly improve the controls in place.</p> <p>A sample of employees was selected and testing identified that different forms are being used by different employees. The procedures and controls in operation also varied greatly across departments.</p>	<p>The cost of an electronic flexi system should be investigated and a decision taken on whether this should be purchased and put into operation. If the manual system currently in operation continues then a consistent approach should be established across the organisation and monitoring arrangements should be formalised and consistently applied.</p> <p>Grade: A2</p>	<p>Acceptance: Rejected</p> <p>Management Response: We have previously considered purchasing an electronic system but the size of the organisation does not warrant this. A review of the current practices will be undertaken.</p> <p>Timescale for Action:</p> <p>Responsible Officer:</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E9.2	A set period during which flexi leave can be taken and the amount that can be taken during this time has been defined.	✓	<p>A 4 week flexi period is operated and one day (or two half days) flexi leave can be taken during this time. Employees can work from any time between 7am and 7pm with a minimum of half an hour break every 6 hours to be taken.</p> <p>A sample of employees was selected and for each the flexi hours recorded and taken were within the defined period and limit.</p>	-	-
E9.3	Upper and lower limits on the amount of credit and debit that can be carried forward have been set.	✗	<p>Procedures state that a maximum of 12 hours debit/credit can be carried forward from one period to the next. However, testing identified that in practice this was not always the case as credits over and above the 12 hour maximum were being carried forward to the next period.</p> <p>Again, the introduction of an electronic flexi system would help monitor this via reports of flexi balances which could be produced at the end of each period.</p>	<p>Flexi records should be subject to monitoring by line managers who should sign to evidence this process at the end of each period. This should include confirmation of the hours worked as well as any credits/debits accrued and carried forward.</p> <p>Grade: C1</p>	<p>Acceptance: Accepted Management Response: We will ensure that this applied across the Authority. Timescale for Action: 2014/15 Responsible Officer: All line managers</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E9.4	Flexi leave requests are approved by an authorised signatory.		<p>Flexi leave requests should be subject to line manager approval.</p> <p>However, a sample of flexi leave taken identified that line manager approval was not always evidenced (though assurance was given that approval is always provided). For some employees, flexi leave requests were included on the annual leave sheet (under a separate column) which was then signed by the line manager as approval. This system appeared to work well.</p> <p>However, for other employees, flexi leave was just recorded on the sheet they recorded their hours worked and these were either signed by the line manager at the end of the 4 week period or were not signed at all.</p>	<p>All requests for flexi leave should be subject to line manager approval prior to the event and this process should be evidenced.</p> <p>Grade: C2</p>	<p>Acceptance: Accepted</p> <p>Management Response: Already current policy, managers need to be reminded to evidence this.</p> <p>Timescale for Action: Immediate</p> <p>Responsible Officer: Line managers</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E9.5	Procedures in place to deal with flexible hours credits/debits in the event of an employee leaving the Authority.	✓	<p>Internal Audit was informed that employees would be encouraged to get their flexi balance to zero by the end of their employment.</p> <p>However, where this is not possible, the Finance department informed Internal Audit that any credits/debits should be incorporated into any holiday entitlement remaining which would then be paid/re-claimed on termination of employment. However, the outstanding holiday is calculated by the line manager rather than Finance and Internal Audit was therefore unable to verify whether this is actually happening in practice.</p>	<p>The calculation for outstanding holiday pay (and/or flexi credit if deemed appropriate) should be approved and submitted by the relevant Head of Service for verification by Finance to ensure and evidence the accuracy of payments.</p> <p>Grade: B2</p>	<p>Acceptance: Rejected</p> <p>Management Response: Given the potential number of leavers at any one time it is considered that line manager approval is appropriate.</p> <p>Timescale for Action:</p> <p>Responsible Officer:</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E10	Monitoring				
E10.1	Amendments to the system are authorised by management and input independently.	X	<p>There is currently no electronic system in place so any adjustments required would be recorded by the employee themselves. Approval of these adjustments would be completed by the line manager at the end of the 4 week period but in practice this is not always happening.</p> <p>Again, the introduction of an electronic flexi system would aid this process as any adjustments could be approved by line management and input to the system independently.</p>	Refer to recommendation E9.1	Refer to recommendation E9.1

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E10.2	Flexible hours balances are monitored by management on a regular basis.		<p>Monitoring procedures across different departments currently vary significantly. Some manager's sign off the flexi hours recorded for their team at the end of the 4 week period whilst others do not. Of the managers that do not sign to evidence the monitoring, some informed Internal Audit that they would periodically monitor the records electronically (as the spreadsheets are held electronically) but this process is not evidenced, whilst others would never monitor/review the records of employees within their team (See Appendix C for detail).</p> <p>Again, the introduction of an electronic flexi system would assist with monitoring arrangements.</p>	Refer to recommendation E9.1	Refer to recommendation E9.1

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
E10.3	Where abuse of the scheme is identified appropriate action is taken.	✓	<p>Internal Audit was informed that only a couple of instances of abuse have been identified within the last 10 years but these were due to misinterpretations and only resulted in employees being issued with a verbal warning.</p> <p>Internal Audit was informed that if any abuse was identified, the employee would be placed back onto standard hours and the flexible working privilege would be removed.</p>	-	-
E10.4	The system has functions in place to assist with monitoring and reducing potential abuse of the system.	n/a	As stated, there is currently no electronic system in place but if there was this could greatly assist with any monitoring arrangements as specific controls could be incorporated into the system (e.g. automatic deduction of 30 minutes break if an employee has not taken a break or has taken a break for less than the required 30 minute period, or automatically ending the employees working day at 4pm if they have not clocked out at the end of the day).	Refer to recommendation E9.1	Refer to recommendation E9.1

National Trail (SECTION F)

This report may contain personal data as defined by the Data Protection Act 1998, which must be treated as strictly private and confidential.

1.0 Introduction

- 1.1 An audit review of the National Trail has been carried out as part of the 2013-14 Internal Audit Plan. The last review of the National Trail was completed in 2008-09.
- 1.2 The National Trail is part of the wider Park Delivery section, headed up by the Head of Park Delivery. The National Trail is managed by the National Trail Officer with assistance from Warden Managers and Wardens based at three depots around the County.
- 1.3 The Trail is funded through three grants claimed from the Countryside Council for Wales (CCW) – the National Trail Officer (100% funded), National Trail and Main Capital and Maintenance (75% funded) and National Trail Capital projects (100% funded).
- 1.4 For 2012-13, the successful capital and revenue grant claimed from CCW was £135k with a £676 overspend. The National Trail Officers grant is claimed separately with only £462 not being claimed from a possible £37,170.

2.0 Audit Opinion and Assurance Statement

- 2.1 **Substantial Assurance**¹⁵ can be given on the adequacy and effectiveness of the arrangements in place for the management of the National Trail.
- 2.2 Key areas of weakness and risk, good practice and opportunity for improvement identified during the audit review are summarised below:
 - The majority of key controls are in place and were found to be working effectively.
 - Stock checks not being completed on a frequent basis offers the opportunity for misappropriation through lack of monitoring.

¹⁵ A definition of the Assurance Ratings are shown at Appendix A

2.3 A summary of the recommendations for Section B is shown in the table below:

Expected Arrangements (Controls)		Adequate & Effective ¹⁶	Recommendations ¹⁷						
			A1	A2	B1	A3	B2	C1	Other
F1	Grant Funding	✓	0	0	0	0	0	0	0
F2	Budgetary Control & Monitoring	✓	0	0	0	0	0	0	0
F3	Policies & Procedures	✓	0	0	0	0	1	0	0
F4	Monitoring & Reporting	✓	0	0	0	0	0	0	0
Total			0	0	0	0	1	0	0

¹⁶ A definition of the Adequate & Effective Ratings are shown at Appendix B

¹⁷ A definition of the Recommendation Gradings are shown at Appendix A

SECTION F – NATIONAL TRAIL ACTION PLAN

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F1	Grant Funding				
F1.1	Surveys of the National Trail are completed on an annual basis.	✓	The NT Officer walks the entire Trail during the summer period and an action plan is produced which details his findings of the maintenance required for the following year. The majority of works orders are raised from this survey, however, they can also be raised from public requests or issues highlighted by NT staff undertaking their daily duties.	-	-
F1.2	PCNPA ensures it receives the maximum funding available from Natural Resource Wales.	✓	The bidding process is extensive and it was observed that the Authority submit detailed reports regarding intended works and expenditure plans to ensure it receives the maximum grant available.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F1.3	The grant application has been appropriately signed off and is submitted on a timely basis.	✓	The grant applications for 2013-14 & 2014-15 were confirmed to have been completed in full and had been appropriately signed off. The interim and final claims for the 2012-13 NT grant was observed as being signed off by the Finance Manager on the 12/02/2013 and 09/05/2013 respectively and were within the time frames set out in the conditions of the grant offer.	-	-
F1.4	A grant offer letter has been provided and additional information submitted if further negotiations are required.	✓	Appropriate documentation confirming the grant offer has been received for 2013-14.	-	-
F1.5	The total grant awarded has been received in full and/or there are monitoring arrangements in place if the grant is paid by instalments.	✓	Verbal assurance was provided by the Head of Park Development that appropriate controls are in place and the monitoring of the grant funding payments is overseen by the Finance Department.	-	-


No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F1.6	A 3 year action plan is in place and has been documented.	✓	A three year action plan setting out maintenance and capital projects has been produced by the NT Officer and was observed as being submitted to the CCW annually.	-	-
F2	Budgetary Control & Monitoring				
F2.1	Monthly reconciliations are completed by the Warden Managers and returned on a timely basis to the Finance Department.	✓	The Head of Park Delivery provided documentation to confirm that reconciliation's take place on a regular basis. The Warden Managers are sent a copy of their budget every month which is also reviewed by the Head of Park Delivery. All budget holders complete a quarterly review which are signed off by their line managers and forwarded to the Finance Department. This is in accordance with Financial Standards 38 & 39.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F2.2	Significant overspends are scrutinised and reported to the steering group where necessary.	✓	The Head of Park Delivery provided verbal assurance that he would be alerted to significant overspends as part of monthly budget records that are issued to his Managers. The secondary control of quarterly budget reviews would also identify any discrepancies.	-	-
F2.3	All grant funding is apportioned against a documented spending plan and underspends are identified at the earliest opportunity to ensure the monies can be diverted to other projects if the intended project is delayed. This ensures that all of the funding is spent by the prescribed date set out in the conditions of the grant and does not have to be repaid.	✓	Testing confirmed that the existing controls in place are working effectively and that the maximum funding available was claimed for 2012-13 in February and May 2013. The claims have been approved by the NRW and the subsequent payments have been received.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F3	Policies & Procedures				
F3.1	There are documented procedures in place to support official orders, work orders and stock control.	✓	Procedures for stock control and official orders are set out within the Financial Standards.	-	-
F3.2	Official orders are only raised by approved officers.	✓	Testing confirmed that orders are only being raised by authorised officers.	-	-
F3.3	Work orders are raised by approved officers and are issued to the respective depots.	✓	Work orders are usually raised by the Area Warden Managers in response to the work plan provided by the NT Officer and are distributed to the appropriate depots. Evidence of this working effectively at the Milton Depot was observed on the day of the audit review.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F3.4	All stock received and/or issued from the depots is recorded.	X	<p>Stock is not signed for prior to it being taken from the stores and used to complete a works order. There is also no process of checking any excess materials back in.</p> <p>Stock takes are completed at the start of the financial year (April).</p>	<p>All stock should be signed out to indicate the job it has been used for and a physical stock check of materials should then be completed on a regular basis (e.g. quarterly).</p> <p>Grade: B2</p>	<p>Acceptance: Rejected</p> <p>Management Response: The auditors have correctly identified that the stock is not signed for from the stores and surplus stock is not recoded back into the depot. This is an issue that we have looked at a number of times over the years and is, at first sight, a reasonable area of concern. However it is felt that the benefits of introducing a stock control system are outweighed by the administrative and time-loss costs.</p> <p>Timescale for Action:</p> <p>Responsible Officer:</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F3.5	Invoices are paid in accordance with the times set out in the Financial Regulations and are certificated and authorised by approved staff.	✓	Testing confirmed that payments are made in accordance to Financial Standard 88.	-	-
F3.6	A list of keyholders to the depots is maintained and reviewed on an annual basis.	✓	A list of keyholders is maintained by the Warden Managers and evidence of this was provided at the time on the audit review.	-	-

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response
F4	Monitoring & Reporting				
F4.1	Performance Indicators are produced and regularly monitored.		<p>The Quality Standards Monitoring Report is produced annually and includes the PI's that are relative to the National Trail.</p> <p>There are 6 counters strategically placed along the Trail, which are funded through the NT Officers grant. These results are included within the NT Officers annual report.</p> <p>Compliance of the grant funding is monitored by the NT Officer who produces six monthly update reports and an annual report to the CCW/NRW. Grant monitoring and evaluation plans are also included as part of the bidding process.</p>	-	-

Assurance Ratings

Level of Assurance	Description
Full	There are either no weaknesses or only low impact weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which if addressed would further improve the ability of the systems/services to achieve their objectives. These weaknesses do not affect key elements of the arrangements in place and are unlikely to impair the ability of the systems/services to achieve their objectives. Therefore, we can conclude that the arrangements are adequate and are operating effectively, assisting the systems/services to achieve their objectives.
Substantial	There are some weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which could impair the ability of the systems/services to achieve their objectives. However, they would either be unlikely to occur or their impact would be less than high.
Limited	There are weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements, which could have a significant impact on the ability of the systems/services to achieve their objectives.
None	There are weaknesses in the adequacy and/or effectiveness of the governance, internal control, risk management and financial management arrangements which, in aggregate, have a significant impact on the ability of the systems/services to achieve their objectives.

Recommendation Gradings

Action	Requires strategic management action or a corporate policy or procedural decision.	A	A1*	A2*	A3
	Requires operational management action or a directorate/service policy or procedural decision.	B	B1*	B2	B3
	Continued compliance with an existing policy or procedure.	C	C1	C2	C3
			1	2	3
			Critical	Important	Desirable
			Seriousness		

*May be reported to the Audit Committee

Adequate & Effective Ratings

- ✓ Adequate and effective
- ✓ or ✗ Partially adequate and effective
- ✗ Not adequate and effective

Follow Up of Previous Audit Action Plan – Action Outstanding

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response	Current Status (October 2013)
Car Parks						
3.3	Car park income is counted "blind". An independent check is undertaken to ensure that the total cash counted was banked promptly and intact per the receipted copy bank paying in slips, which are retained for reference.	✓	<p>The Authority uses Loomis to collect, count and bank the car park income. Income is emptied directly from the cash boxes into bank bags by the Car Park Supervisor. The bags are then sealed and a copy of the car park audit ticket enclosed. There is only one officer involved in this process.</p> <p>There are currently arrangements in place with the Harbour Commission to collect and bank the income at the Saundersfoot car park. These arrangements were agreed by email.</p>	<p>(Refer also to 3.2 above)</p> <p>If the Saundersfoot car park management arrangements are to continue, it would be good practice to ensure that these are formally set out and agreed by both parties (this should also be applied to any other arrangements in place with third parties).</p> <p>Grade: B2</p>	<p>Acceptance: Yes</p> <p>Management Response: More formal agreement will be prepared for 2013 season.</p> <p>Timescale for Action: March 2013</p> <p>Responsible Officer: Business & Performance Manager</p>	<p>PARTIALLY COMPLETE/ ONGOING-S'FOOT ARRANGEMENTS GOING TO COMMITTEE AT END OF 2013</p> <p>Formal agreement in place with Solva community council.</p> <p>SHC continued as previous year.</p> <p>New agreement in place for local sales – Newgale café.</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response	Current Status (October 2013)
5.1	Penalty Charge Notices are issued in accordance with the Authority's application for Civil Parking Enforcement.	X	It is the Authority's policy not to issue penalty charge notices. The Authority is liaising with the local authority who will update the existing parking order on their behalf. The intention is to pass enforcement action over to the local authority. It is likely that the local authority would retain the income from fines levied and as a result of proactive enforcement it is hoped that income from normal parking fees will increase due to more visible and proactive "policing." Warning notices are placed on vehicles highlighting to the customer that they have contravened the parking requirements this clearly states that no action will be taken on this occasion. This does act as a deterrent for other users as the warning notice is highly visible.	With the peak season over it is an opportune time to commence discussions with the local authority to amend the parking order. Any arrangements decided with regard to the local authority undertaking enforcement action on the Authority's behalf should be documented with roles and responsibilities clearly defined. It would be beneficial to consider all options regarding the issuing of penalty charge notices and the collection of penalty notice income. Grade: A2	Acceptance: Yes Management Response: Discussions now underway – new order should be in place during the summer and possibility of PCC taking over enforcement is being considered. Timescale for Action: 2013/14 Responsible Officer :Business & Performance Manager	NOT COMPLETE No progress with PCC so far

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response	Current Status (October 2013)
Park Delivery						
2.1	Documented procedures have been put in place and are available to Wardens at all sites.	✓	There is no Wardens Handbook in place, however, assurance was received from the Head of Park Delivery that any new Wardens would work alongside an experienced Warden as part of their induction process.	It would be good practice to introduce a checklist which specifically covers the role and responsibilities of the Wardens / Rangers to ensure that all aspects of the job, including Health and Safety awareness have been addressed. Grade:B3	Acceptance: Partial. Management Response: Main induction checklist covers most aspects . Will draft and test a wardens' and Rangers' checklist to ensure all aspects are covered Timescale for Action: July 2013 Responsible Officer: Hd of PD	PARTIALLY COMPLETE/ ONGOING Induction checklist drafted in April 2013 and supplied to Ranger Service Manager and Area Warden Managers. Need to get feedback to finalise checklist. (No new permanent rangers wardens inducted since April)

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response	Current Status (October 2013)
3.1	Work scheduling should take into consideration planned and responsive work.	✓	As this is a transitional year there has been some uncertainty over demand by service areas and historical requirements have been used as the basis for work scheduling for the current year.	<p>Information collected from the current financial year should be analysed to determine the split between planned and responsive work undertaken in each service area. Additionally the revised risk assessment (see 3.2 below) and Park objectives for the next twelve months should be taken into consideration and this should then be used to focus work expectations for the next financial year.</p> <p>Grade: B2</p>	<p>Acceptance: Yes.</p> <p>Management Response: The main issue is the split between different types of commissioned work – conservation / footpaths etc rather than between responsive and planned work. The main team managers hold monthly meetings which provide an opportunity to discuss unforeseen jobs and establish how to build these into the schedule. Measuring the ratio of responsive and planned work across the whole range of services that the Park Delivery Team provides would take more time investment than the benefit would justify.</p> <p>(continued below)</p>	<p>PARTIALLY COMPLETE/ ONGOING</p> <p>The % of planned work has increased though there is inevitable responsive work as well. The commissioning system is working well and we are putting together a 6 monthly schedule of how the wardens' work is broken up between the different work areas. A new access-based recording and programming system was introduced this year.</p> <p>(continued below)</p>

No.	Expected Arrangements (Controls)	Adequate & Effective	Comments & Consequences	Recommendation	Management Response	Current Status (October 2013)
					<p>The ratio of work between the different types of commissioned work can be built into the section plan -</p> <p>Timescale for Action: Draft by end April 2013</p> <p>Responsible Officer: Head of PD</p>	<p>At the end of the year we will be able to allocate staff time & resources to each of the main work areas.</p>

Specific Testing Findings

Reimbursements to Employees for Purchases

Ref	Name	Date	Detail	Gross Value	Net Value
BAR3JB	Hayley Barrett	18/03/13	Camera	£27.00	£22.50
BAR3JB	Hayley Barrett	08/10/12	Boots	£90.00	£75.00
SCOOTE	Rob Scourfield	25/04/12	Shoes	£40.00	£33.34

Reimbursements to Employees for Subsistence

Ref	Name	Date	Detail	Gross Value	Net Value
GEO6SR	Ifan George	18/07/13	Overnight stay	£88.00	£73.33

Flexi Hours Management Monitoring

Employee Number	Name	Evidence of Management Monitoring	Comments
77633	Richard James	Yes	Sheet signed at end of period
77030	Sam Watts	Yes	Sheet signed at end of period
77763	Phillip Barlow	Yes	Sheet signed at end of period
77576	Sharron Thomas	No	-
77424	Caroline Bowen	No	-
77694	Liam Jones	No	-
77050	Huw Jones	No	Manager reviews electronically on ad hoc basis
77098	Jan Waite	No	Manager does not review
77256	Chris Holder	Yes	Sheet signed at end of period