

REPORT OF THE INTERNAL AUDITOR

SUBJECT: INTERNAL AUDIT REPORT 2019/20

The report is the outcome of work completed against the Block 1 of the 2019/20 operational audit plan previously approved by the Authority's Audit and Corporate Services Review Committee

The internal audit service reviewed the following area:

- Car Parks
- Grants
- Business Continuity
- Information Governance

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

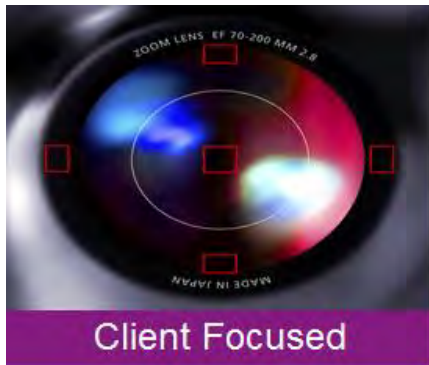
Recommendation: Members are asked to NOTE and COMMENT on this report

*(For further information, please contact Richard Griffiths, extension 4815
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Pembrokeshire Coast National Park Authority Internal Audit Report

Block 1 - July 2019



1. Introduction
2. Executive summary
3. Audit highlights
4. A (i) – Car Parks
5. A (ii) – Grants
6. A (iii) – Business Continuity
7. A (iv) – Information Governance
8. Annual Plan Progress Summary
9. Performance indicators for 2019/20
10. Grading of Opinions and Recommendations

Audit visit: July 2019 Engagement Director : Robin Pritchard

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Gateway Assure staff deployed: Robin Pritchard, David Brett, Yasmeen Mehmood

This report summarises the outcome of work completed to date against the operational audit plan for 2019/20 as approved by Pembrokeshire Coast National Park and the Audit and Corporate Services Review Committee ; it incorporates cumulative data in support of internal audit performance. This provides a basis for our work during the year which is planned to inform our annual opinion.

The sequence and timing of individual reviews has been discussed and agreed with management to ensure the completion of all audits within the agreed Internal Audit Strategy 2019/20 in a timely manner. The scope for each review has been agreed with nominated managers and is intended to focus on the key risks to which that area of the organisation's activity is exposed and the associated controls which we would expect to be in place to ensure that risk is managed within the risk appetite approved by the Board. Our approach is to document and evaluate the adequacy of controls operating within the system. The key controls operated by management have been assessed against the controls we would expect to find in place if best practice in relation to the effective management of risk, the delivery of good governance and the attainment of management objectives is to be achieved. Where applicable, selected and targeted testing has been used to support the findings and conclusions reached.

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

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

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

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

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

The results of our visit to Pembrokeshire Coast National Park Authority are summarised in this section of the report and are considered in relation to each area reviewed.

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

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

Audit Area	Opinion	Recommendations				
		F	S	MA	Total	Agreed
Car Parks	Substantial	0	1	2	3	
Grants	Substantial	0	0	3	3	
Business Continuity	Limited	1	0	1	2	
Information Governance	Substantial	0	0	3	3	

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

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

Executive summary – Car Parks

1.1. The Authority has circa 37 car parks of which ten are fee paying and a further four are in the process of becoming a fee paying car park in readiness for the 2020 Summer Season. We were advised by the Estates Manager that the Authority does not have a Car Park Policy in place but presents an annual report, as it was felt that one was not deemed necessary. It may be beneficial to have a Policy in place, particularly as the Authority is gradually increasing the number of fee paying car parks.

1.2 The Members Task & Finish Group conducted a review of Car Parks in November 2015, to align the service with the Authority's Improvement Plan objectives. The review raised several recommendations with regards to Car Parking fees, Pay and Display machines being installed at designated car parks, the potential of adding further fee paying car parks. The Estates Manager presents an annual report to the National Park Authority to inform Members of the progress against the recommendations initially raised.

1.3 Of the ten fee paying car parks, eight have Pay & Display (P&D) machines installed and the remaining two are operated by Car Parking Attendants who have handheld parking ticket machines. In addition to this a 'Mobile' attendant is employed to collect the black boxes from the P&D machines and to bank the monies. The Car Parking Supervisor (CPS) is responsible for the car parking income collection, recording and banking. It was noted that one of the Car Parking Attendant will collect and bank the income, we were advised that this arrangement was established many years ago and has not identified any discrepancies in income banked to date.

1.4 In 2017, the Authority installed new signages across the ten Car Parks. Two set of signages were created for the Summer and Winter season. Pembrokeshire County Council's Highways department was consulted with regards to the wording displayed for enforcement action.

1.5 The CSP maintains a daily income log sheet which is completed by the Mobile Attendant for income collected and counted by the coin counting machine. This information is entered onto an electronic spreadsheet in a similar format and sent out to Finance and a copy retained to hand to LOOMIS, the Authority's appointed security company for banking cash.

1.6 In addition to the above, the CSP also maintains an Excel workbook, which records daily income and also contains worksheets for previous years income collection thereby allowing to compare collection against similar periods for previous years. A year end reconciliation is performed against income collected and banked which is contained within the workbook.

1.7 Testing of a sample of five car parking bankings to source information identified that:

- Some of the paperwork used by Finance to reconcile the car parking income was inconsistent;
- The Loomis banking reports identified discrepancies between income collected to what has been banked. We were advised that material discrepancies are investigated by Finance.

Key control areas subject to review

1. Policy
2. Car Park Signage
3. Payment Options
4. Budgets & Monitoring
5. Income Inspections
6. Car Park Extensions

Executive summary – Car Parks

1.8 The Authority is keen to move over to cashless car parking P&D machines. Estates invited BT Openreach in 2017 to assess and evaluate the connectivity in the area, which is required in order for the cashless machines to operate. It was identified that such machines could be installed via accessing landlines at a cost of £40377. However, post this report, Estates has not devised a plan to move forward on this matter, citing internal issues causing a delay.

1.9 The Authority also offers a number of other car parking options to the public which consists of seasonal; annual or 7 day passes, which can be purchased online via the Authority's website with the use of Debit/Credit cards. It was noted that the Authority conducts an annual review of its Fees and Charges schedule however car parking fees do not form part of this review nor are they reviewed on annual basis.

1.10 Whilst the Estates Manager is in receipt of monthly budget statements, however, reliance for financial information is with the daily income workbook as maintained by the CPS.

1.11 We were advised by the Estates Manager that the Authority's circa 37 car parks are more than capable of handling peak periods and there are no plans to extend these at the current moment.

Key control areas subject to review

1. Policy
2. Car Park Signage
3. Payment Options
4. Budgets & Monitoring
5. Income Inspections
6. Car Park Extensions

Executive summary – Grants

2.1 The Sustainable Development Fund (SDF) was set up by the Welsh Government to provide grants for innovative, sustainable environment projects involving local communities in the ‘Area of Outstanding Natural Beauty’. The Authority were previously allocated grant funding by the Welsh Government of £200,000. However, for the past six years, the Authority is no longer allocated the grant and self-funds the SDF with an annual budget of £100,000.

2.2 The Authority does not have a Grants Policy in place to provide clear guidance to users on grant application through to award process; criteria and adherence to grant conditions. However, the Authority does have a ‘Grants Condition’ document which is attached to the grant award letter and must be complied with by the organisation. The document is reviewed ad hoc by the Finance Manager and presented to the SDF Committee, the last review was conducted in 2017.

2.3 From January 2019, the Authority has outsourced the publicity, assessment and evaluation of grant applications to PLANED, a charity organisation, till 31st March 2020. Previously, this function was handled by a designated Finance Officer, who has since left the Authority in January 2018.

2.4 The Authority has created a set of standard grant documents to aid in the process of awarding and monitoring the grant awarded. This includes a grant application form, award letters, grant payment schedules, interim reports and final reports. Grant applications are assessed and evaluated by PLANED and those which are considered as potentials are forwarded onto the Finance Manager and Director of Planning for final review and to be listed on the SDF Committee for consideration. We were provided with emails evidencing review having taken place between both officers and PLANED.

2.5 The grant operates on a match funding basis and ‘Key Milestones’ are set by the Authority, which must be attained prior to release of grant payments. The Finance Manager maintains a spreadsheet which details grant awarded and spend to date for the past few years plus current year.

2.6 We requested to review and test a sample of five organisations who were successful in attaining a grant award during 2019/20. We were advised that grants awarded during the year to date have not as of yet been paid as no spend has been incurred by the third party and that these files were held by PLANED and not the Authority. The Authority as of yet has to perform a spot check on PLANED files, which will take place once grant claims are received from the grant recipients.

2.7 We were therefore re-directed in selecting a sample from previous years files held by Finance. Review and testing identified that whilst it could be confirmed that key documents were held on file. The structure of the files could be further improved by having ‘dividers’ to separate the sections.

2.8 The Authority’s grant conditions could be further strengthened by including a clause on the recovery of financial losses resulting from criminal activity.

Key control areas subject to review

1. Policy
2. Grant Applications
3. Approval & Monitoring grants
4. Budget
5. Safeguarding Authority from loss

Business Continuity Planning

Executive summary – Business Continuity Planning

3.1 A review held by PCNPA of policies and procedures identified that the Business Continuity Plan (BCP) is outdated and in need of review. Without an up to date BCP, in the event of a disaster or other event occurring, the continuation of operational business activity maybe impaired.

3.2 Furthermore, there is no current secondary location identified as to where the organisation may relocate to, if required.

3.3 The IT Manager is aware of the deficiencies and is working towards preparing a BCP suitable to the needs of the Authority whilst identifying relevant post holders, required to assist in the implementation of the plan as required.

3.4 Once the plan has been formally agreed and accepted, appropriate staff training will need to be provided along with annual testing to ensure that it remains fit for purpose.

3.5 Lessons learnt from testing or implementation of the plan should be updated on an ongoing basis.

3.6 The backup strategy would benefit from review with both the daily and weekly backups stored within the Old Chapel, a short distance from the primary site. To resolve the situation the most pragmatic approach would be to remove the weekly backups to a location further removed from the main site.

Key control areas subject to review

1. Appetite for risk
2. Risk of failure is reflected
3. Mitigating actions are in place
4. Plans are tested
5. Lessons learnt are recorded
6. Plans detail key staff and responsibilities
7. Essential recovery details are recorded
8. Appropriate training is provided
9. Actions taken are reviewed

Information Governance Health Check

Executive summary – Information Governance Health Check

4.1 The Authority clearly understands the need for transparency and accountability throughout its decision making process and is currently in the process of reviewing all of its policies to ensure that they continue to be fit for purpose. The Leadership team are at the forefront of this initiative and moving forward, all policies will be designated with an owner, to ensure that they are reviewed and updated accordingly reflecting the needs of the organisation. It is important therefore, to ensure that momentum does not diminish and that all policies are reviewed as planned.

4.2. There is little ongoing training for staff in respect of emerging issues, cyber security threats or Data Protection updates but this could be resolved through the use of e-newsletters or intranet snapshots.

4.3 The security of electronic data is important and IT provision continues to be well managed with good controls in place to secure access with automated updates of antivirus and firewall control which are assessed on their criticality prior to implementation. End users are provided with a unique id and password which is prompted for change on a regular basis with access to specific work areas controlled by the requirements of each job role through Active Directory protocols.

4.4 There have been no penetration tests conducted to provide independent assurance as to the level of security that is applied to the network and this is something that may need to be considered.

4.5 The principles of GDPR continues to be adhered to with consideration given to the manner in which personal and sensitive data is managed and requests for information are assessed prior to being disclosed.

4.6 Potential fraud risks are suitably considered prior to engagement with new suppliers which are sourced through te official framework mechanism.

Key control areas subject to review

1. Policies and procedures
2. Training and updates
3. Responsibility for data security
4. Data assets
5. Data handling
6. Personal data controls
7. ID/right to access checks
8. Data loss
9. Data destruction
10. Fraud risk

Audit area	Car Parks		
Management Objective:	The collection of Car parking income is undertaken in an efficient and effective manner.		
Responsible Officer:	Richard Griffiths – Finance Manager		
1. The Authority does not have in place an appropriate policy for the controlling of car park income, which may lead to potential revenues being missed			
Overall opinion:	Substantial	Adequacy of control framework:	Good
		Application of control:	Appropriate

Main Recommendations	Priority	Management Response	Implementation Plan
1. Car Park Policy The Authority should compile a formal car parking policy, to provide clear guidance to all car park users, what car parks are available and to whom, how much the user will pay and the responsibilities of the user.	MA	Partially Accept. There is an annual update report to members and their resulting resolution is the 'defacto rolling policy' which informs and determines our future car park operation. Guidelines and all charging details are set out on the Authority's web-site.	Responsibility: Estates Officer Target date: On-going
2. Cashless Charging Machines The Authority should devise a plan and timetable for installing cashless P&D machines, to be rolled across the 14 car park sites. This should be shared with Members and approval sought.	Significant	Accept. Work remains in progress and practically this will not be implemented for a few years.	Responsibility: Estates Officer Target date: Spring 2021

Main Recommendations	Priority	Management Response	Implementation Plan
<p>3. Car Parking Fees Review The Authority should review car parking fees annually, as good practice.</p>	MA	Accept. Car park charges are regularly debated by member and noted in the respective committee minutes.	<p>Responsibility: Estates Officer</p> <p>Target date: 31 March 2020</p>

Audit area	Grants			
Management Objective:	The National Park Authority provides grants in a manner which complements achievement of objectives and contributes to its mission, and as a consequence effectively manages and controls the assessment and distribution of grant monies in a fair manner to ensure appropriate use of funds.			
Responsible Officer:	Richard Griffiths – Finance Manager			
Key risk for consideration:				
1. The Authority’s allocated grant budget is not monitored and distributed to those intended to benefit, leading to fraudulent payments.				
Overall opinion:	Substantial	Adequacy of control framework:	Good	
		Application of control:	Appropriate	
Main Recommendations		Priority	Management Response	Implementation Plan
1. Final Review of Applications The review conducted by the Finance Manager and Director of Planning should be documented and held on file.		MA	Accept. Review of files will be undertaken by the Authority’s Finance Manager.	Responsibility: Finance Manager Target date: Immediate
2. Grant Files The Authority should conduct a ‘spot check’ of PLANNED grant files. To ensure that the files have been constructed in a formal manner thereby allowing to locate key grant documents with ease. Additionally, the files should clearly evident: <ul style="list-style-type: none"> • Key Milestones attained with supporting information; and • Grant recipient is adhering to the Authority’s Grant Conditions. 		MA	Agreed. As is the usual practice a thorough review of all the supporting documentation will be made prior to any payment of grant.	Responsibility: Finance Manager Target date : Immediate

Main Recommendations	Priority	Management Response	Implementation Plan
<p>3. Financial Safeguarding</p> <p>The Authority should include within its Grant Conditions a clause against financial loss incurred as a result of criminal activity.</p> <p>It should clearly state the Authority's position and action it will take in the event of such occurrence, i.e. reclaim of assets to cover financial loss suffered.</p>	MA	<p>Agreed. The Authority will consider the inclusion of such a clause in the Grant Conditions.</p>	<p>Responsibility:</p> <p>Finance Manager</p> <p>Target date:</p> <p>Immediate</p>

Audit area	Business Continuity Planning
Management Objective:	The PCNPA has considered the impact that potential incidents may cause on it's ability to continue to deliver services and has appropriate plans in place to recover the position within tolerable timescales
Responsible Officer:	Debbi Church – IT Manager

Key risks areas considered within scope of audit:

1. That PCNPA has not considered the impact of potential disasters at a corporate and service level and as a result does not have appropriate business recovery plans in place. There is also a lack of communication regarding the implication of recovery plans resulting in business/service failure following an incident.

Overall opinion:	Limited	Adequacy of control framework:	Weak
		Application of control:	Weak

Main Recommendations	Priority	Management Response	Implementation Plan
<p>1. Business Continuity Plan</p> <p>The BCP should to be re-written to ensure that it reflects the current processes required to ensure that the organisation can continue operationally in recovering from a disaster, mishap or other event.</p> <p>Additionally, once the BCP has been agreed all nominated personnel should be made aware of their responsibilities and trained accordingly. The plan should be tested on an annual basis and updated accordingly.</p>	F	Recommendations accepted. A new BCP will be created with an annual test schedule and all staff will be provided with appropriate training.	<p>Responsibility: Debbi Church</p> <p>Target date: 31/12/2019</p>
<p>2. Backup Procedures</p> <p>Currently both the daily and weekly backups are located within the chapel adjacent to the main Headquarters building. As a mitigating solution the weekly backups should be stored further away, preferably off site.</p>	MA	A rota for IT Staff to store tapes off site will be drawn up and activated.	<p>Responsibility: Debbi Church</p> <p>Target date: 31/08/2019</p>

Audit area	IG Health Check		
Management Objective:	To ensure appropriate key controls operate over the handling of data within the organisation, to assist with broad compliance with the General data Protection Regulations (GDPR)		
Responsible Officer:	Tegryn Jones – Chief Executive		
Key risks areas considered within scope of audit:			
1. The PCNPA’s data and information assets are not suitably protected from theft, loss, or misuse.			
Overall opinion:	Substantial	Adequacy of control framework:	Good
		Application of control:	Good

Main Recommendations	Priority	Management Response	Implementation Plan
1. Policies All policies are currently undergoing review and a designated owner has been identified for each policy. It is important to ensure that this review process momentum is maintained, in order that all policies are scrutinised and amended in a timely manner.	MA	Accepted. Process of review being overseen by the Performance and Compliance Co-ordinator and the relevant manager(dependant on the policy). The process will be on-going.	Responsibility: Performance and Compliance Co-ordinator Target date: On-going
2. Training Ongoing training should be provided for all members of staff to include emerging issues, cyber threats and Data Protection updates through the use of e-newsletters or intranet snapshots.	MA	Accepted. We will provide relevant training for staff, as required.	Responsibility: Business and IT Manager Target date: On-going

Main Recommendations	Priority	Management Response	Implementation Plan
<p>3. Penetration Testing Consideration should be given to conducting a full Penetration test to provide assurance on the level of security applied to the network.</p>	MA	<p>A full external penetration test is deemed to be greater than that is required by or appropriate for, this organisation which is currently afforded a level of protection via regular malware, antivirus and software patching.</p> <p>A review of security scanning platforms that can automate and schedule the discovery of security flaws, together with associated costs will be undertaken to determine whether an additional level of cybersecurity would be feasible and cost effective.</p>	<p>Responsibility: Debbi Church</p> <p>Target date: 31/10/19</p>

Operational plan summary 2019/20

Audit and Corporate Services Review Committee meeting – March 2019

Draft Internal Audit Strategy 2019– 2022

Committee meeting – 6 November 2019			Audit visit undertaken 8 July 2019		Recommendations made				
Block 1 Audits	Plan Days	Actual days	Client Contact	Progress				Total	Accepted
1. Car Parks	4	4	Gary Meopham	Draft	0	1	2	3	3
2. Grants	2	2	Richard Griffiths	Draft	0	0	3	3	3
3. Business Continuity	3	3	Debi Church	Draft	1	0	1	2	2
4. Information Governance Management	2	2	Tegryn Jones	Draft	0	0	3	3	3
Total	12	12			1	1	9	11	11

Committee meeting – 12 February 2020			Audit visit scheduled – 7 October 2019		Recommendations made				
Block 2 Audits	Plan Days	Actual days	Client Contact	Progress				Total	Accepted
5. Risk Management	1		Richard Griffiths						
6. Key Financial Controls	2		Richard Griffiths						
7. Health & Safety	2		Mike Jarrett						
8. Fleet Management – Follow Up	2		Tegryn Jones						
9. Rangers	3		Libby Taylor						
Follow Up	1								
Management	1								
Total	13			Total					

TOTAL AUDIT DAYS 2019/20	25	12
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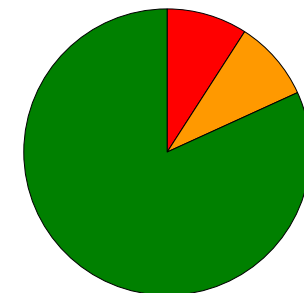
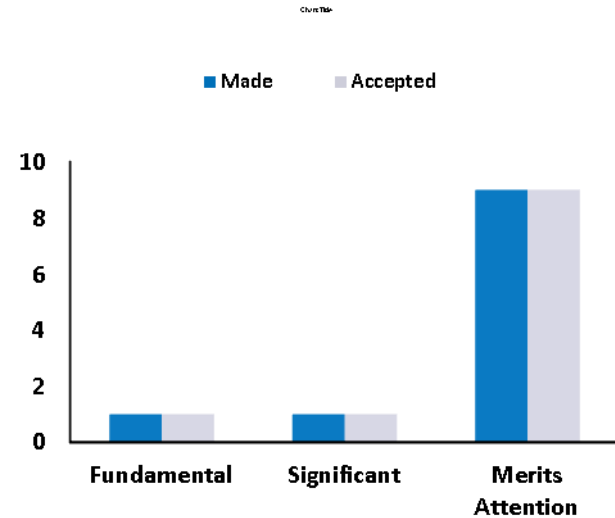
Performance indicators 2019/20

Report turnaround

	Plan	Actual
Draft	10 days	10 days
Final	5 days	1 day

Resources

	Days	%	Qualifications
Director	1	20%	CPFA/IRM
Manager	5	40%	FCCA
Senior	4	40%	CISA/AAT
Assistant	0	-	



■ Fundamental ■ Significant ■ Merits Attention

KEY FOR RECOMMENDATIONS (IN RELATION TO THE AREA REVIEWED)

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

ADEQUACY & APPLICATION OF CONTROL

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