



LEE VALLEY REGIONAL PARK AUTHORITY
AUDIT COMMITTEE
22 JUNE 2017 AT 13:00

Agenda Item No:

5

Report No:

AUD/77/17

**ANNUAL REPORT ON THE WORK OF INTERNAL AUDIT
2016/17 AND AUDIT PLAN 2017/18**

Presented by Director of Finance & Resources

SUMMARY

The purpose of this report is to inform Members about the work of the Internal Auditors (Mazars) during the financial year 2016/17.

The Audit Plan for 2016/17 was approved by the Audit Committee in June 2016 (Paper AUD/69/16). The audit of the Authority's functions has been in accordance with that Plan and has been found to be satisfactory and the level of assurance substantial.

The report also sets out a Plan for audit during 2017/18.

RECOMMENDATIONS

- Members Note: (1) the annual report of the Internal Auditors for 2016/17 detailed in Appendix A to this report; and
- Members Approve: (2) the annual Audit Plan for 2017/18 as detailed in Appendix B to this report.

BACKGROUND

- 1 The Audit Plan for 2016/17 was approved at a meeting of the Audit Committee in June 2016 (Paper AUD/69/16). This report looks at the delivery of that Plan and summarises the scope of audit coverage during the last financial year.
- 2 Mazars have prepared a comprehensive report of this years' audit and the majority of the agreed Plan has been completed. 2017/18 will be the second year of a short term two year contract under a framework agreement held by the London Borough of Croydon and approved by Members of this Committee (Paper AUD/64/16, 25 February 2016).

AUDIT WORK – 2016/17

- 3 The majority of the planned audit activity was completed in accordance with the

2016/17 Plan.

- 4 Mazars have prepared a comprehensive report summarising the reviews and their findings; and this is attached as Appendix A to this report.
- 5 In all audits, recommendations of differing priority (i.e. priority 1, 2 and 3) were made to improve the system of internal control and these recommendations were accepted. Follow-up reviews will be undertaken in the next twelve months to ensure appropriate action has been taken.

AUDIT FINDINGS – 2016/17

- 6 The full report from Mazars is attached at Appendix A for Members information and will be presented by the Internal Auditor during the meeting.
- 7 The key message of the auditors report is embodied in the Audit Opinion shown on page 4 of Appendix A. This states:

“From the Internal Audit work undertaken in compliance with the PSIAS in 2016/17, it is our opinion that we can provide Substantial Assurance that the system of internal control in place at Lee Valley Regional Park Authority for the year ended 31 March 2017 accords with proper practice..... Our overall opinion is that internal controls within the financial/operational systems throughout the year are fundamentally sound.”

- 8 The key findings of the report for each Audit carried out in 2016/17 (pages 5 to 13 in Appendix A) summarise the main recommendations. All areas audited indicated full or substantial assurance with the exception of two audits where assurance was indicated as limited.

As set out in the auditor’s summary the two areas where limited assurance was received were audited following a proactive request from the senior management of Lee Valley Leisure Trust Ltd (the Trust) due to their concerns regarding compliance with operating procedures. This, in the auditor’s opinion, demonstrated management’s oversight function was working effectively.

The venues with limited assurance (Sewardstone Campsite and the Riding Centre) both had four priority one actions and 5 priority 2 actions recommended for implementation. Management agreed the recommendations of the auditor and all recommendations have now been implemented. Further time has been allocated in the 2017/18 plan to ensure follow up and testing.

- 9 All key findings and recommendations from all the audits will be monitored by the auditors during 2017/18. Adequate follow-up time to do this has been incorporated into the Audit Plan for the year ahead.

ANNUAL AUDIT PLAN - 2017/18

- 10 Appendix B to this report sets out a summary Plan for Audit during 2017/18. The Plan takes into account the following:
 - the Authority’s Strategic Risk Register;
 - internal audit findings from previous years’ audit work;

- planned developments within the Authority and the Trust;
- the requirements of the Authority’s external auditors; and
- specific pro-active work on a counter fraud programme.

11 There are 155 contracted days to allow completion of the Audit Plan in 2017/18; and Members are asked to approve the plan as set out in Appendix B of this report.

ENVIRONMENTAL IMPLICATIONS

12 There are no environmental implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

13 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

14 Financial systems (as indicated on page 14 of Appendix B of the auditor’s report) are audited on a cyclical basis. The table below shows the coverage over the past three years and demonstrates a robust approach to financial management that has been maintained across the Authority and Trust.

Audit	2014/15	2015/16	2016/17	2017/18 Planned
Payroll	Substantial	N/A	N/A	New Audit
Debtors	Substantial	N/A	Substantial	N/A
Creditor	N/A	N/A	Substantial	N/A
Treasury Management	N/A	Full	N/A	N/A
Budgetary Control	N/A	Full	N/A	N/A
General Ledger	N/A	Substantial	N/A	N/A
Cash & Banking	N/A	N/A	Substantial	N/A
Debt Recovery	N/A	N/A	N/A	New Audit

HUMAN RESOURCE IMPLICATIONS

15 There are no human resource implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

16 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

17 There are no risk management implications arising directly from the recommendations in this report.

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/69/16	Annual Report on the Work of Internal Audit 2015/16 & Audit Plan 2017/18	16 June 2016
Audit Committee	AUD/64/16	Award of Internal Audit Contract	25 February 2016
Audit Committee	AUD/61/15	Annual Report on the Work of Internal Audit 2014/15 & Audit Plan 2015/16	25 June 2014
Audit Committee	AUD/51/14	Annual Report on the Work of Internal Audit 2013/14 & Audit Plan 2014/15	19 June 2014
Audit Committee	AUD/41/13	Annual Report on the Work of Internal Audit 2012/13 & Audit Plan 2013/14	20 June 2013
Audit Committee	AUD/28/12	Annual Report on the Work of Internal Audit 2011/12 & Audit Plan 2012/13	28 June 2012
Audit Committee	AUD/20/11	Annual Report on the Work of Internal Audit 2010/11 & Audit Plan 2011/12	02 June 2011
Audit Committee	AUD/07/10	Annual Report on the Work of Internal Audit 2009/10 & Audit Plan 2010/11	20 May 2010

APPENDICES ATTACHED

Appendix A	Internal Annual Audit Report 2016/17
Appendix B	Internal Audit Plan 2017/18

LIST OF ABBREVIATIONS

IT	Information Technology
PSIAS	Public Sector Internal Audit Standards
the Trust	Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)



Lee Valley Regional Park Authority and Vibrant Partnerships
Internal Audit Annual Report 2016/17

May 2017

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Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of Lee Valley Regional Park Authority and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Lee Valley Regional Park Authority and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility set out in Appendix 2 of this report for further information about responsibilities, limitations and confidentiality.



M A Z A R S

Introduction

Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment identified across Lee Valley Regional Park Authority (the Authority) and Vibrant Partnerships, the trading name of Lee Valley Leisure Trust Limited (the Trust) during the 2016/17 financial year.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

It should be noted that the Authority and the Trust are responsible for ensuring business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority and the Trust are also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's and the Trust's functions and which includes arrangements for the management of risk.

Overview of Internal Audit Approach

As Internal Audit, our role is to provide an annual assurance statement on the adequacy and effectiveness of the Authority's and the Trust's systems of governance, risk management and internal control.



Overview of Work Done

The Internal Audit Plan for 2016/17 included a total of 14 projects. We have liaised with senior management throughout the year to ensure that internal audit work undertaken continued to focus on the high risk areas and, in the light of new and on-going developments in the Authority and the Trust, to help ensure the most appropriate use of our resources.

As a result of this liaison, some internal audit projects have been added to the Plan, others have been consolidated or split into separate elements, and the timing of a number of others has been changed or delayed to 2017/18. Consequently, the total number of projects actually undertaken in 2016/17 was 13 compared to 11 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2016/17.

We generally undertake individual internal audit projects with the overall objective of providing the Members/Trustees, the Chief Executive/Managing Director and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls over a number of management's objectives. Other audit projects are geared more towards the provision of specific advice and support to management to enhance the economy, efficiency and effectiveness of the services and functions for which they are responsible. We also undertake IT audits, probity audits and anti-fraud work. All internal audit work was performed in compliance with the PSIAS.

All internal audit reports include our recommendations and agreed actions that, if implemented by management, will enhance the control environment and the operation of the key management controls.

This report sets out the results of the work performed as follows:

- Overall summary of work performed by Internal Audit including an analysis of report gradings; and
- Key findings during our work in 2016/17.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2016/17, including those that, at this time, remain in draft. It should be noted therefore that the comments made in respect of any draft reports are still subject to management response.

Acknowledgement

We would like to take this opportunity to thank management and staff for the co-operation that we have received during the 2016/17 financial year.

Overall Summary

As illustrated in the tables below, there has been a slight deterioration to the assurance grading where a limited assurance opinion was given in two audits (20%), compared with just one audit (12%) in the previous year. However, it should be pointed out that both of these audits were added to the Plan following management's request due to them having concerns; this showing that management's oversight function is working effectively to flag any control issues. It should also be acknowledged that management have responded positively to our findings and recommendations and we have been able to finalise all of our reports with assurance opinions.

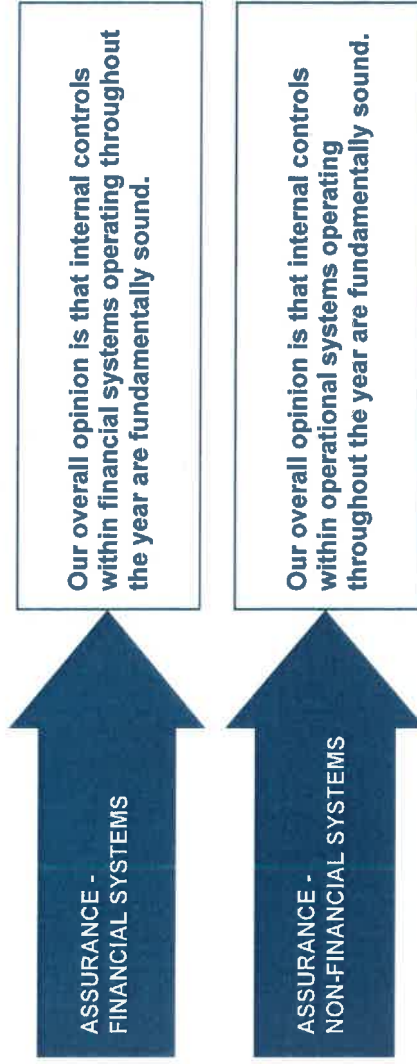
Report Ratings

We are pleased to report that we have not issued any 'nil assurance' opinions in 2016/17 (none were issued in 2015/16).

Assurance Gradings	Number of Projects	
	2016/17	2015/16
Full	1	2
Substantial	7	5
Limited	2	1
Nil	0	0
Sub-Total	10	8
No Opinion Assurance Work	3	3
Total Projects Delivered	13	11

Opinion 2016/17


From the Internal Audit work undertaken in compliance with the PSIAS in 2016/17, it is our opinion that we can provide **Substantial Assurance** that the system of internal control in place at the Authority and the Trust for the year ended 31 March 2017 accords with proper practice. The assurance can be further broken down between financial and non-financial systems, as follows:




Key Findings

The table below provides a summary of the key findings for each internal audit project completed in the 2016/17 plan, both assurance and non-assurance based:

Audit	Assurance Opinion	Direction of Travel	Key Findings
Creditors (Authority/Trust)	Substantial	↕	<p>We identified relatively few weaknesses consistent with our work from previous years. We raised five priority 3 recommendations as a result of our work where we consider controls may be further improved.</p> <p>The issues noted were the need to review of procedures in accordance with review deadlines and decide if separate procedures are required for dealing with the Trust's creditors; document the required steps, including how to independently verify supplier contact and bank account detail change requests, within procedure notes; remind staff to timely create and authorise purchase orders and the Finance Team escalate recurring retrospective purchase orders; and remind staff to approve invoices in a timely manner and make a notepad entry on the system if an invoice is queried or disputed and payment is delayed.</p> <p>We also raised a recommendation to develop a standard template for all system access requests. However, management responded that the current process of using e-mail requests instead of forms is sufficient and works well given the relatively small volume of requests. In addition, roles in efinancials do not map to posts sufficiently to allow a list to be developed as suggested.</p> <p>We note that since the audit fieldwork, the responsibility of handling user access requests has been transferred to the System Development Analyst who will retain a copy of the e-mail in a central location.</p>
Debtors (Authority/Trust)	Substantial	↕	<p>We identified relatively few weaknesses consistent with our work from previous years. We raised one priority 2 and two priority 3 recommendations as a result of our work where we consider controls may be further improved.</p> <p>The key issues highlighted were with regards to maintaining a list of delegated refund approvers by the Finance Team; determining whether credit note requests above certain amounts should be subject to manager approval; reminding Site Managers of the need to periodically monitor refunds and credit notes; and regularly updating the debt monitoring tracker to accurately capture all overdue debtors for recovery action to be taken.</p>

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<p>In addition, guidelines detailing the required processes for end to end income management process including credit notes and refunds should be documented and communicated to all staff; procedure guidelines should be regularly reviewed to capture any changes made to work practices by management for the Authority and Trust; and debt recovery procedures should be reviewed in accordance with the review deadline and decide if separate procedures are required for dealing with the Trust's debtors.</p>
Cash and Banking (Authority/Trust)	Substantial	N/A	<p>We identified relatively few weaknesses and two priority 3 recommendations were raised as a result of our work where we consider controls may be further improved. The issues noted were the need to review cash handling and financial administration procedures in accordance with the review deadline and decide if separate procedures are required for dealing with the Trust's cash and banking processes; and follow through and resolve the issues concerning contactless payments.</p>
Property Leases and Accommodation Management (Authority)	Full		<p>We did not identify any control weaknesses that resulted in recommendations. As such, the assurance opinion has improved from 'limited' in 2012/13.</p>
Property Leases and Accommodation Management (Financial Process operated by the Trust)	Substantial	N/A	<p>Overall, we were able to confirm that adequate controls are in place and they are working effectively. We did identify a weakness in respect of the debtor recovery process and raised one priority 2 recommendation where we consider controls may be further improved. The key issue highlighted was the need for the Finance Team to seek acknowledgement from the Property Services Team of any debtors that have been passed back to them due to disputes or other reasons, and obtain regular updates from the Property Services Team regarding the steps taken to address any disputes.</p>
Events Management (Authority/Trust)	Substantial	N/A	<p>We identified relatively few weaknesses and one priority 2 and one priority 3 recommendations were raised as a result of our work where we consider controls may be further improved.</p>

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<p>The key issue highlighted was with regards the need to review the current arrangements over the management of events at the Athletics Centre to ensure that all of the required steps are taken for each event including:</p> <ul style="list-style-type: none"> • Putting in place a relevant contract/agreement; • Developing an event brief/management plan; and • Obtaining all mandatory documents (caterer's insurance for example) and completing all of the required checks. <p>Management of the Authority and Trust should consider:</p> <ul style="list-style-type: none"> • Whether there are any venues requiring additional supports in respect of event management; • How best to ensure compliance with the relevant policies and procedures across all venues; and • How best to improve the communication between the Trust's venues and the Authority's event management team. <p>In response to the above, the Director of Venues explained that he lead the new venues and ensured a higher level of event management than they previously had in place, and that staff at other non-Olympic venues will continue the training and processes to improve the management of events.</p> <p>In addition, a pre-event checklist (setting out the details of the checks required before the event takes place, including the condition of the outdoor/open space) should be created by the Events Team for outdoor events and applied to all relevant future events.</p>
Sickness Absence Management (Authority/Trust)	Substantial		<p>We identified relatively few weaknesses consistent with our work from previous years. We raised two priority 2 recommendations and one priority 3 recommendation as a result of our work where we consider controls may be further improved.</p> <p>The key issues highlighted were with regards to the need to update policies and procedures on a periodic basis; and that procedures should be updated and training held for managers to ensure that return to work interviews are held and documented wherever an employee reaches a trigger.</p> <p>In addition, the Vision system should be reviewed on a periodic basis and where there are overdue doctors' certificates not actioned following a chase by HR, this should be escalated to the individual's manager.</p>

Audit	Assurance Opinion	Direction of Travel	Key Findings
<p>Use of Corporate Credit Cards (including data analysis) (Authority/Trust)</p>	<p>Substantial</p>	<p>N/A</p>	<p>Overall, we raised one priority 2 recommendations and three priority 3 recommendation as a result of our work where we consider controls may be further improved.</p> <p>The key issue highlighted was with regard to the need to escalate non-compliance with credit card guidance notes, such as submission of receipts and monthly input forms.</p> <p>In addition, credit card procedures should be reviewed regularly in accordance with the defined review frequency; guidance notes should be updated to include the steps to be taken when staff go on a long term leave or leave the Authority/Trust; exceptions relating to the signed acknowledgement form and obtaining a copy of the form from the card holder should be followed up; and formal reporting on credit card usage should be introduced, reviewed and escalated as appropriate.</p> <p>Our data analysis of the corporate card transactions examined identified no apparent duplicate payments or invoice that had been split. However, we identified three exceptions where the monthly limit was exceeded and recommended that management should determine if the Authority/Trust could achieve better value for money through placing orders with approved suppliers, negotiating favourable rates, terms and discounts etc.</p>
<p>Anti-Fraud and Corruption Policy Review (Proactive Counter Fraud work) (Authority)</p>	<p>N/A</p>	<p>N/A</p>	<p>We reviewed the Anti-Fraud Bribery & Corruption Policy, the Whistleblowing Policy and Fraud Response Plan from a counter fraud perspective. Suggested alterations to these and relevant supporting templates were provided to the Director of Finance & Resources for the Authority for consideration.</p> <p>It is noted that a similar exercise was performed on Trust policies and relevant supporting templates and suggested alterations were provided to the Director of Business Support for Vibrant Partnerships for consideration early in 2017/18.</p>
<p>Sewardstone Campsite (Trust)</p>	<p>Limited</p>	<p>N/A</p>	<p>Overall a number of control weaknesses were identified and we have raised four priority 1 and five priority 2 recommendations as a result of our work where we consider controls may be further improved.</p> <p>The four priority 1 issues highlighted were with regards to the following:</p> <ul style="list-style-type: none"> • Campsite staff and managers should be reminded of the need to record all bookings on Clarity at the point that a booking is made or upon arrival if the customer has not pre-booked.

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<p>Full names should be input onto Clarity and on a daily basis, a reconciliation should be undertaken between all bookings taken/arrivals, Clarity and daily takings.</p> <p>Periodic check should be carried out by officers independent from the campsite to confirm compliance with the operational procedures.</p> <ul style="list-style-type: none"> The Campsite Manager should be reminded of the Trust's policy regarding the offers and discounts to customers. All discounts and offers applied should be recorded on Clarity to provide accurate management information and the level of offers/discounts used in comparison to sales and occupancy should be monitored regularly. The Trust should investigate the reasons behind discrepancies found between the weekly income figure on the weekly income return sheet, cascade report, Clarity report (held by the campsite) and the weekly income figure on the Comparison of Income Report (held centrally and provided by the Finance Team). The campsite should take a £20 deposit for all customers that book in advance to use the campsite in accordance with the operational procedures. The campsite should take full payment (or outstanding balances) from customers on the day of arrival. The Campsite Manager should report to the Finance Team regarding any regular customers who have yet to pay the full fee for their current and past stays. Invoices should be raised accordingly for these customers. <p>The other key issues highlighted were with regards to the need for a segregation of duties between the staff involved with the daily cashing up and the staff member who conducts the weekly income reconciliation; profiling the target occupancy percentage for the year and regular monitoring of performance against the target; locking the key cupboard containing the safe keys when not in use and placing the key away from public view; the following up on the re-scheduled stock take by Venners and also on the profitability performance and any reported discrepancies or wastage by the Finance Team; introducing a stock control mechanism over travel cards; and given the increased fuel costs at the campsite, undertaking further analysis/comparison to determine whether the fuel costs incurred are proportionate to the mileage driven and use of mowers.</p>

Audit	Assurance Opinion	Direction of Travel	Key Findings
<p>Riding Centre (Trust)</p>	<p>Limited</p>		<p>In addition, the Finance Team should follow up on the card number ending in 3587 and confirm whether this is one of the cards registered for the campsite; and also determine the reason for the minor discrepancies relating to the receipts from Keyfuels.</p> <p>Overall a number of control weaknesses were identified and we have raised four priority 1 and five priority 2 recommendations as a result of our work where we consider controls may be further improved.</p> <p>The four priority 1 issues highlighted were with regards to the following:</p> <ul style="list-style-type: none"> • Management should consider transferring private bookings to Clarity to maintain a full audit trail of all bookings and linking them to original payments as well as tracking any cancellations and re-scheduling of sessions. <p>If this is not possible due to the functionality of Clarity, the following controls or alternative compensating controls should be put in place:</p> <ul style="list-style-type: none"> ○ Linking payments to session; ○ Maintaining cumulative record of sessions taken, rescheduled and payments /refunds made so that there is a clear audit trail for each rider; and ○ Recording of credit (where a session is cancelled without a re-scheduled date or refund) to be fully traceable. <p>Where the record is to be retained manually, additional checks will be required to confirm the completeness, accuracy and validity of the record.</p> <ul style="list-style-type: none"> • The Centre should stop using the 'discounts' button to administer refunds of private lessons that have been paid over two weeks ago. <p>Management should explore alternative means of refunding private bookings where original payment was made over two weeks ago and cannot be processed using 'casual refund'. If private bookings can be set up on Clarity as recommended, this would allow refunds to be matched to an original, paid, booking.</p> <p>As minimum, management should ensure that:</p> <ul style="list-style-type: none"> ○ Clear and sufficient audit trails are retained including retention of refund receipts showing any other transactions that were processed with the refund; ○ Reasons for the refund; and

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<ul style="list-style-type: none"> ○ Regular monitoring and checks are undertaken to confirm the accuracy and validity of any such refunds. ● Staff should be reminded to attach all refund receipts evidencing all refunds processed to the cashing up sheet and to record the reasons for refunds and discounts as required. For all refunds, clear audit trails should be maintained and as minimum these should include the following: <ul style="list-style-type: none"> ○ Record of the original transaction which the refund is made against (retention of refund receipt will support this); ○ Reason for the refund; ○ Evidence that the original transaction (and the corresponding booking if applicable) has been correctly cancelled (retention of refund receipt will support this for group and casual booking, additional evidence will be required to for any refunds that are not applied to the original booking on Clarity); ○ Justification and approval of refunding sessions that were within 48 hours of the booking; ○ Refund receipt for cash refunds to be signed by the customer; and ○ All refunds to be clearly highlighted in the daily cashing up records. Management should monitor and check the accuracy and validity of all casual refunds where the refunds will not automatically cancel the booking on Clarity. Management should periodically monitor discounts to investigate any above-expected levels, or transactions containing multiple discounts. Management should be reminded that refunds processed at the same time as a booking (thereby reducing the amount due for the booking) are not shown on the till reconciliations as refunds and Clarity reports should be used to identify all refunds. ● The Centre Manager should ensure that robust stock management controls are put in place including: <ul style="list-style-type: none"> ○ Registering goods sold on Clarity and retaining a complete record of purchases (invoices as minimum or these can then also be registered on Clarity) to maintain a complete and accurate record of stock movement;

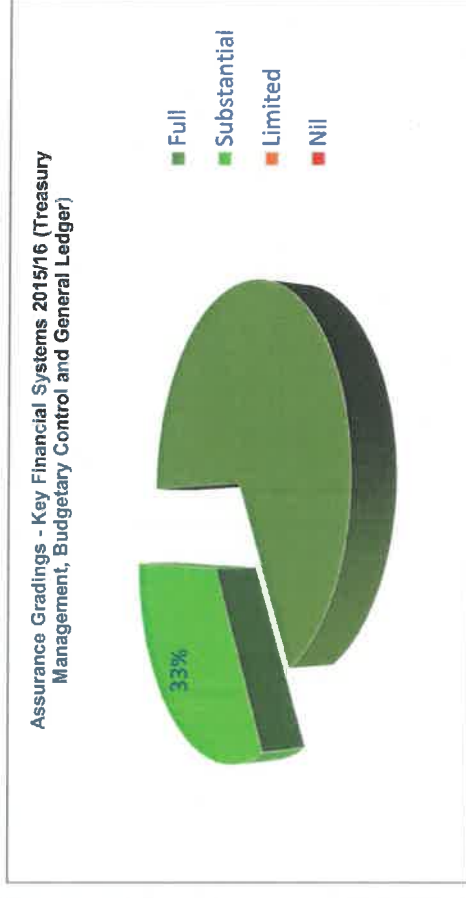
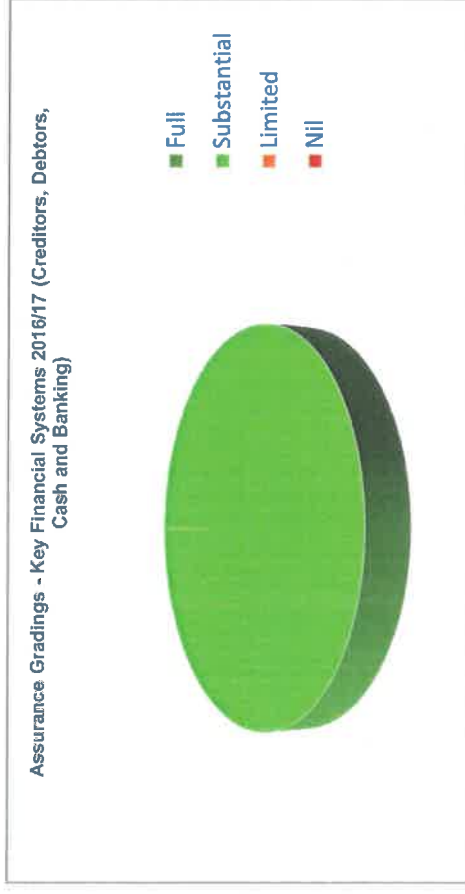
Audit	Assurance Opinion	Direction of Travel	Key Findings
Facilities Spot Check - Hayes Hill Farm (Trust)	N/A	N/A	<ul style="list-style-type: none"> o Agreeing gross profit margin targets for the café and the shop, and monitoring reported performance against these targets; and o Addressing promptly any concerns relating to gross profit margin and any other points raised in the Venners' report regarding the handling of stock (wastage, unaccounted usage, weakness of audit trail). <p>In addition to the above, management may also consider whether a full stock reconciliation should be undertaken by the Centre to confirm whether the sales in a given period accurately correspond to the stock consumed/sold in the same period. It is acknowledged that the gross profit margin provides an indication of whether the Centre is achieving the expected level of sales based on the stock consumed. However, given that different products carry different gross profit margins, a full stock reconciliation will provide more accurate information on the difference between the income that should have been achieved in a given period based on the stock consumption and the actual income for the same period. In making a decision, management should consider both cost and resource implications, as well as the benefit of carrying out a full stock reconciliation.</p> <p>The other key issues highlighted were with regards to the need to annually update the Normal Operating Procedures to reflect changes since their last review date; a periodic review of free or discounted bookings to identify whether free sessions are being used in excess of allowed levels; check bookings on the local diary against Clarity to confirm if all the bookings have been paid for; remind staff of the need to retain all documents used to complete the till reconciliation and investigate the cause for adjusted till reconciliations not showing refunds processed during the day; and check and sign off all weekly returns to ensure that the weekly takings recorded in the return is correct.</p> <p>Draft Report</p> <p>Overall, some positive steps have been taken by management to address the issues previously identified at the Hayes Hill Farm as part of our 2015/16 Facilities Thematic work.</p> <p>The Venue Manager and the deputy demonstrated a level of awareness and understanding of the controls required to be operated, this key to ensuring both the effectiveness and continuation of their operation. Some controls were not yet in place or were not operating consistently or effectively. In such instances, further actions were identified in seven instances.</p>

Audit	Assurance Opinion	Direction of Travel	Key Findings
Facilities Spot Check - Picketts Lock (Trust)	N/A	N/A	<p>Draft Report</p> <p>Overall, some positive steps have been taken by management to address the issues previously identified at the Picketts Lock as part of our 2015/16 Facilities Thematic work.</p> <p>The Venue Manager and the deputy demonstrated a level of awareness and understanding of the controls required to be operated, this is key to ensuring both the effectiveness and continuation of their operation.</p> <p>Some controls were not yet in place or were not operating consistently or effectively. In such instances, further actions were identified in seven instances.</p>

Internal Control - Key Financial Systems

Each year, Internal Audit carries out audit projects of the key financial systems, working in accordance with the managed audit process agreed with the external auditors.

This process allows the external auditors to place reliance on the work performed by Internal Audit to provide the Authority and the Trust with the necessary assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment. It also allows the Authority and the Trust to limit external audit fees spent on reviewing their activities. The table below summarises the audit gradings in this key area:

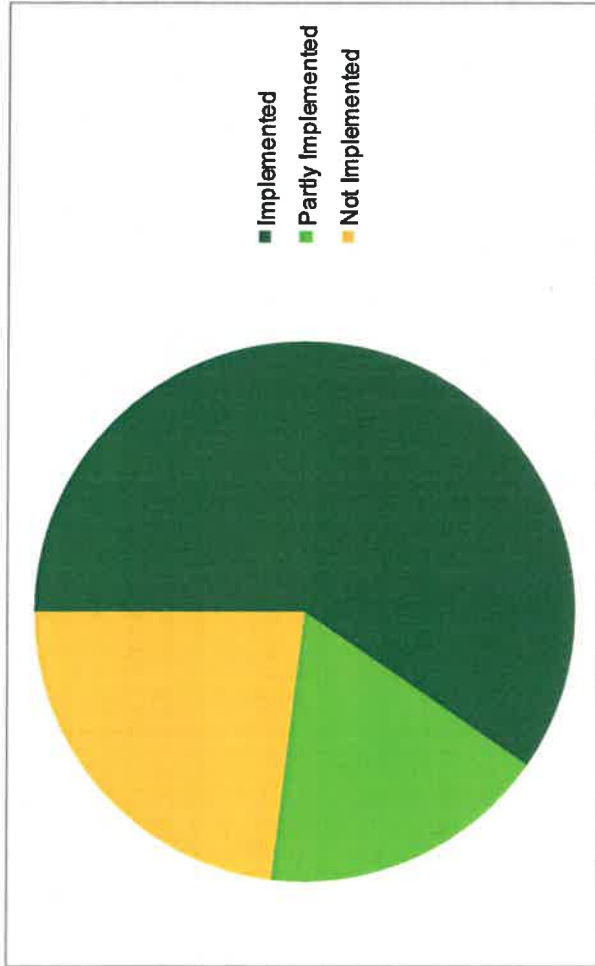


Overall, we were able to confirm that there is a sound control environment in respect of creditors, debtors and cash and banking processes and key controls are operating in a consistent and effective manner. We are also pleased to note that no priority 1 recommendations were again raised this year, this is consistent with previous years (nil were issued in 2015/16, 2014/15 and 2013/14). This reflects the effort made by management to maintain adequate and effective control over their key financial processes and address key control recommendations raised in the year.

Follow-Up of Previously Raised Recommendations

As part of the Internal Audit Plan for 2016/17, we followed-up a number of recommendations previously raised in 2015/16 and agreed with management. The objective of this work was to establish the extent to which recommendations had been implemented. This is important, as, where actions are not taken as agreed, the Authority's and the Trust's risk exposure is not reduced.

The chart below shows the proportion of recommendations found to have been implemented, partly implemented and not implemented:



Overall, on the basis of the follow-up work completed to date, 77% of the recommendations had either been fully or partly implemented. As shown on the following page, of the eight recommendations not implemented, three were priority 2 and five were priority 3 recommendations. In addition, a further four recommendations from previous spot checks with no priority ratings had not been implemented. In cases where recommendations were found to have not been fully implemented, further actions have been agreed with management, together with responsible officers and new deadlines for completion as appropriate.

In some cases, these further actions may now have been implemented, but we have not yet verified this. This will be covered as part of our 2017/18 work when we will follow-up on all remaining recommendations.

The following table provides a more detailed analysis of the status of implementation (I - Implemented; P - Partly Implemented; N - Not Implemented; and N/A - No Longer Applicable) of recommendations, as broken down by priority rating:

Audit 2015/16	Priority 1			Priority 2			Priority 3			
	I	P	N	I	P	N	I	P	N	
				N/A			N/A			
General Ledger	0	0	0	0	0	2*	0	1	0	0
Treasury Management	0	0	0	0	0	0	0	1	0	0
Food and Beverages	0	0	0	0	4	1	0	1	0	0
Dobbs Weir Income Administration	1	1	0	0	3	0	1**	0	0	0
Dobbs Weir Phase 2 Contract Management	0	0	0	0	6	3	0	0	0	0
GIS Application (IT Audit)	0	0	0	0	0	0	0	1	0	5***
Total	1	1	0	0	13	4	3	4	0	5

* The two recommendations relate to system access set up. A review of system access/users is planned for June 2017 and this review is expected to address these recommendations.

** The recommendation relates to carrying out a reconciliation between the utility bills charged from the energy supplier against the utility bills charged to the customers occupying the pitches, this to ensure that correct meter readings are submitted and the amounts due from the customers are recovered in full. However, the Senior Finance Officer explained that the bills from the energy company do not distinguish meter readings for the pitches and other consumptions and it is therefore not possible to carry out this reconciliation.

*** The GIS Manager explained that due to the planned technical application review; actions to address the five recommendations are currently put on hold as these recommendations may no longer be relevant following the review.





Audit / Spot Check	I	P	N
Facilities Thematic	7	4	1*
Athletic Centre	3	0	3
White Water Centre	4	0	0
Total	14	4	4

* This recommendation relates to signing off till reconciliations by both the cashier and duty officer. However from our work throughout this year, we have identified that the till reconciliations have not always been signed off by both the cashier and duty officer.

Appendix 1 - Key to Assurance Levels

Assurance Gradings




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Assurance Level	Evaluating and Testing Conclusion
 Full	There is a sound system of internal control designed to achieve the Authority/Trust's objectives. The control processes tested are being consistently applied.
 Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the Authority/Trust's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the Authority/Trust's objectives at risk.
 Limited	Weaknesses in the system of internal controls are such as to put the Authority/Trust's objectives at risk. The level of non-compliance puts the Authority/Trust's objectives at risk.
 Nil	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

The assurance gradings provided above are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full Assurance' does not imply that there are no risks to the stated objectives.

Recommendation Gradings

In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

Priority Level	Definition
 1 High	Major issues for the attention of senior management and the audit committee.
 2 Medium	Important issues to be addressed by management in their areas of responsibility.
 3 Low	Minor issues resolved on site through discussions with local management.

Direction of Travel	
↑	Improved since the last audit visit.
↓	Deteriorated since the last audit visit.
↔	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Appendix 2 - Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

We take responsibility to Lee Valley Regional Park Authority for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

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Lee Valley Regional Park Authority and Vibrant Partnerships
Internal Audit Plan 2017/18

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Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of Lee Valley Regional Park Authority and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Lee Valley Regional Park Authority and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility set out in Appendix 1 of this report for further information about responsibilities, limitations and confidentiality.



1. Executive Summary

This document sets out the proposed Internal Audit Plan for 2017/18.

The Plan has been formulated in conjunction with the Director of Finance & Resources for the Authority and the Director of Business Support for Vibrant Partnerships, the trading name of Lee Valley Leisure Trust Limited (the Trust), and takes into consideration the risk registers, our findings from previous years' internal audit work, planned developments within the Authority and the Trust, and the requirements of the Authority and Trust's external auditors.

The total planned days for 2017/18 is 155 - this consistent with the agreed days for the previous year (2016/17) and is split as follows:

Input Type	2017/18 Days	2016/17 Days Actual	2016/17 Days Budgeted
General Audit and Advisory	81	99	83
IT Audit	20	0	10
Contract Audit	12	0	0
Proactive Counter Fraud	14	12	18
Follow-Up	10	10	10
Management and Consultation	12	12	12
Contingency	6	0	22
Total	155	133	155

We have provided a summary level indication of the proposed coverage for each individual audit / task.

In all cases where an audit has been completed previously against the same scope, together with the assurance opinion, we will provide an assessment of the Direction of Travel so as to indicate the extent to which the controls have improved, stayed the same or deteriorated.

It is important that the Plan remains flexible, given that new risks may emerge during the course of the year. We will continue to discuss and review the coverage with the Director of Finance & Resources (Authority) and the Director of Business Support (Trust) on an on-going basis.

The number of contingency days for 2017/18 is higher than the previous year. This is to take account of the various changes the Authority and the Trust are going through and any further changes and development that are due to take place during the year. It is anticipated that management will identify additional areas that require an independent assurance as and when the new processes are designed, implemented and embedded. In addition, the contingency days also include days put aside to meet management requests arising from the Trust's internal quality assurance process on the venues.

2. Internal Audit Plan 2017/18

Please note that the proposed coverage is only a high level overview and the detailed scope of each audit will be discussed and agreed with the relevant officer prior to the commencement of any fieldwork.

We have also identified a Lead Contact(s) in each case. The proposed scope, timing and approach will be discussed and agreed with the Lead Contact(s) and other relevant officers prior to the commencement of each individual assignment.

Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Resources & Business Development			
Key Financial Systems (Payroll and full cradle to grave review of Debt Recovery)	16	<p>As part of the 2014/15 internal audit plan, it was agreed with management and external audit that coverage of the key financial systems move to being cyclical as opposed to each system being audited annually to reduce duplication and the impact of our work on the Finance Team.</p> <p>Coverage in the last three years are as follows:</p> <ul style="list-style-type: none"> • 2016/17 - Creditors, Debtors and Cash and Banking • 2015/16 - Treasury Management, Budgetary Control and General Ledger • 2014/15 - Debtors and Payroll 	<p>Simon Sheldon - Director of Finance & Resources (Authority)</p> <p>Nigel Foxall - Director of Business Support (Trust)</p> <p>Melany Kelso - Senior Finance Officer (Trust)</p>
Analysis of High Risk Transactions	10	<p>Analysis will be undertaken on the data held on Clarity to identify areas requiring detailed checks such as high level of refunds, discounts or nil value sales.</p>	<p>Simon Sheldon - Director of Finance & Resources (Authority)</p> <p>Nigel Foxall - Director of Business Support (Trust)</p> <p>Michael Sterry - Performance and Information Manager (Trust)</p>

Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Controls Testing against the High Risk Transactions	25	Control processes to be verified and tested following on from the analysis of high risk transactions.	Simon Sheldon - Director of Finance & Resources (Authority) Nigel Foxall - Director of Business Support (Trust) Michael Sterry - Performance and Information Manager (Trust)
Contract Audit (Procurement or Contract Management)	12	As part of the agreed 2012/13 internal audit plan, we undertook an audit of the system of controls in place around the commercial justification, procurement and project management of the Dobbs Weir scheme. In 2015/16, we conducted a focused risk based contract audit of Phase 2 of the Dobbs Weir scheme. We will now conduct a focused risk based contract audit of the final phase of the Dobbs Weir scheme and report on the management controls necessary to ensure that the project has been planned, procured, managed and cost controlled in accordance with, where relevant, both EU and UK primary legislation, the Authority's contract standing orders/financial regulations/policies/procedures, the form of contract used and recommended practice for the type of procurement and contract used. We will also follow up on the recommendations raised as part of our 2015/16 contract audit.	Gregg Pettit - Manager of Asset Protection, Maintenance and Development (Authority)
Risk Management (Trust)	8	Following the creation of the Trust as separate business entity as from 1 April 2015, a new risk register was developed to take account of the operations and responsibilities that have transferred over to the Trust. We will review the adequacy of the Risk Management Framework to ensure that the Trust's approach to managing risk is clearly defined (including risk appetite and responsibilities to identify, evaluate and cost effectively control all significant risks inherent to the Trust's business) and that risk is considered by management, staff and members in all decision making processes as part of their day-to-day operations.	Nigel Foxall - Director of Business Support (Trust)



Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Anti-Fraud and Corruption Policy Review (Proactive Counter Fraud Work) Trust	2	During 2016/17, we reviewed the Authority's Anti-Fraud and Corruption Policy Framework and suggested changes for consideration. Following on from this work, we will also be assisting and providing advice during 2017/18 in respect of the Trust's Anti-Fraud and Corruption Policy Framework.	Nigel Foxall - Director of Business Support (Trust)
Anti-Fraud and Corruption Awareness Survey and Workshop (Proactive Counter Fraud Work)	12	We will undertake an awareness survey in respect of the Anti-Fraud and Corruption Policy Framework to determine the extent of which these have been embedded within the Authority and Trust, and establish staff's perspective on the policies and procedures.	Simon Sheldon - Director of Finance & Resources (Authority) Nigel Foxall - Director of Business Support (Trust)
Parkland & Venues			
Facilities - Unannounced Spot Check, Dobbs Weir	6	As requested by management, we will complete a spot check to assess the venue's compliance with policies and procedures relating to invoicing, income & cash handling, purchases, stock management and vouchers & discounts.	Nigel Foxall - Director of Business Support (Trust)
Facilities - Unannounced Spot Check, Springfield and Stanstead Marinas	10	As requested by management, we will complete a spot check to assess the venue's compliance with policies and procedures relating to invoicing, income & cash handling, purchases, stock management and vouchers & discounts.	Nigel Foxall - Director of Business Support (Trust)
Facilities - Unannounced Spot Check, Sewardstone Campsite	6	As requested by management, we will complete a spot check to assess the venue's compliance with policies and procedures relating to invoicing, income & cash handling, purchases, stock management and vouchers & discounts.	Nigel Foxall - Director of Business Support (Trust)

Audit	Planned Days	Proposed Coverage	Lead Contact(s)
IT Audit			
IT Audit Needs Assessment	10	An IT Audit Needs Assessment will enable IT Audit to focus on the areas of greatest perceived risk across the Authority/Trust and take into account any existing controls or the extent and type of assurance already being provided. This will help focus the level of IT Audit resources to those areas with greater risks, areas where high reliance is placed on the existing controls or areas where alternative assurance is not being provided.	Simon Sheldon - Director of Finance & Resources (Authority) Nigel Foxall - Director of Business Support (Trust) Simon Clark - IT Manager (Trust)
IT Audit	10	Exact coverage is to be agreed upon completion of the IT Audit Needs Assessment and the outcomes of the IT Strategy Officer Working Group.	Simon Sheldon - Director of Finance & Resources (Authority) Nigel Foxall - Director of Business Support (Trust) Simon Clark - IT Manager (Trust)
Follow-Up, Management and Consultation, and Contingency			
Follow-Up	10	<p>Completion of follow-up work on recommendations raised and agreed as part of the 2016/17 Internal Audit Plan, together with any other outstanding recommendations, where the same audits are not being undertaken again as part of the 2017/18 Plan.</p> <p>The follow-up work is of key importance in terms of ensuring that previously raised and agreed recommendations have been implemented by management. If this is not the case, the Authority and Trust's risk exposure is not lowered in respect of the weaknesses originally identified, and hence the value of the internal audit work undertaken is reduced.</p>	N/A

Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Management and Consultation	12	To cover attendance by Mazars management at relevant Audit Committee meetings and production of required reports for these. Also to cover attendance at progress meetings and any other meetings not specifically related to individual audits. In addition, to cover Mazars managements' non-audit specific liaison and communication with officers across the Authority/Trust and with the Authority/Trust's external auditors.	N/A
Contingency	6	To be allocated as necessary during the course of the year.	N/A
Total	155		

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