



LEE VALLEY REGIONAL PARK AUTHORITY

AUDIT COMMITTEE

16 JUNE 2016 AT 10:30

Agenda Item No:

6

Report No:

AUD/69/16

**ANNUAL REPORT ON THE WORK OF INTERNAL AUDIT
2015/16 AND AUDIT PLAN 2016/17**

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 2015/16.

The Audit Plan for 2015/16 was approved by the Audit Committee in June 2015 (Paper AUD/61/15). 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 2016/17.

RECOMMENDATIONS

- Members Note: (1) the annual report of the Internal Auditors for 2015/16 detailed in Appendix A to this report; and
- Members Approve: (2) the annual Audit Plan for 2016/17 as detailed in Appendix B to this report.

BACKGROUND

- 1 The Audit Plan for 2015/16 was approved at a meeting of the Audit Committee in June 2015 (Paper AUD/61/15). 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. 2016/17 will be the first 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 – 2015/16

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

2015/16 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 – 2015/16

- 6 The full report from Mazars is attached at Appendix A to this report for Members information and will be presented by the Internal Auditor during the Committee.
- 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 2015/16, 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 2016 accords with proper practice”.

- 8 The key findings of the report for each Audit carried out in 2015/16 (pages 5 to 13 in Appendix A) summarise the main recommendations. All areas audited indicated full or substantial assurance with the exception of one audit where assurance was indicated as limited.

The limited assurance related to the Dobbs Weir site and its income administration during the implementation of phase 2 which is now complete. The two priority one recommendations and five priority two recommendations have/are currently being addressed in preparation for the final phase of Dobbs Weir development commencing in the latter part of 2016/17.

The main issue identified by the auditor related to administrative short-comings from establishing and recording of sales to invoicing the customer formally. The sales agreement and sometimes the payment were received at the point of sale and banked before the transaction was formally communicated to Finance to raise the invoice. This was exacerbated by the back-office split between the Authority and the Trust, meaning some income was credited to the Authority's bank account and some to the Trust's bank account. The site manager and the Finance team subsequently went through all the transactions to ensure that the coding, crediting of correct accounts and invoicing to customers has been corrected and properly implemented. Going forward the site manager in conjunction with the Finance team have built in processes to ensure uniformity of record keeping alongside monthly budget meetings to ensure issues are addressed at the point of sale or as soon as is practicable after the event.

Completion of these specific actions will move the assurance to substantial and will be followed up by the auditors as part of the 2016/17 plan to ensure they have been implemented robustly and this will be reported back to this Committee alongside quarterly revenue monitoring which goes to Executive Committee.

- 9 All key findings from all the audits will be monitored by the auditors during 2016/17. Adequate follow-up time to do this has been incorporated into the Audit Plan for the year ahead.

ANNUAL AUDIT PLAN - 2016/17

- 10 Appendix B to this report sets out a detailed Plan for Audit during 2016/17. 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 2016/17; 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 There are no financial implications arising directly from the recommendations in this report.

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.

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PREVIOUS COMMITTEE REPORTS

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 2015/16
Appendix B	Internal Audit Plan 2016/17

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
Internal Audit Annual Report 2015/16

June 2016

This report has been prepared on the basis of the limitations set out on page 19.

This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 17 April 2014 between Lee Valley Regional Park Authority and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Lee Valley Regional Park Authority. This report 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, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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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) during the 2015/16 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 conformation 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 is responsible for ensuring its 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. Lee Valley Regional Park 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, Lee Valley Regional Park Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority'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 systems of governance, risk management and internal control.

Overview of Work Done

The Internal Audit Plan for 2015/16 included a total of 12 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, to help ensure the most appropriate use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year. Some internal audit projects have been added to or deleted from the Plan, others have been consolidated or split into separate elements, and the timing of a number of others has been changed. Consequently, the total number of projects actually undertaken in 2015/16 was 11 compared to 14 in the prior year - refer Overall Summary. It should be noted that there were no scope impairments or restrictions in 2015/16.

We generally undertake individual internal audit projects with the overall objective of providing the Members, the Chief Executive 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 2015/16.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2015/16, 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 the Lee Valley Regional Park Authority management and staff for the co-operation that we have received during the 2015/16 financial year.

Overall Summary

As illustrated in the tables below, we have noted an improvement in Lee Valley Regional Park Authority's control environment during the audit year. During the 2015/16 year, a full assurance opinion was achieved in two (29%) key financial audits compared with none in 2014/15. Some 6 (86%) of internal audit projects were rated 'full/substantial assurance' compared with also 6 (86%) in the prior year.

Report Ratings

We are pleased to report that we have not issued any 'nil assurance' opinions in 2015/16 (none were issued in 2014/15). In addition, we issued one report (14%) with a 'limited assurance' opinion compared with one (14%) in 2014/15.

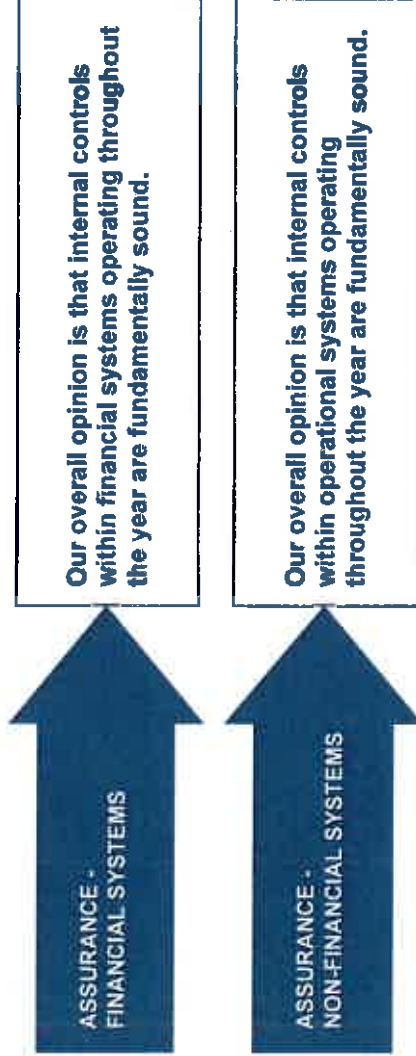
Assurance Gradings	Number of Projects	
	2015/16*	2014/15
Full	2	0
Substantial	4	6
Limited	1	1
Nil	0	0
Sub-Total	7*	7
No Opinion Assurance Work	3	7
Total Projects Delivered	10**	14

* IT audit of Disaster Recovery has yet to be completed and the distribution of assurance opinion will change once the work is finalised.

** This excludes IT audit of Disaster Recovery.

Opinion 2015/16

From the Internal Audit work undertaken in compliance with the PSIAS in 2015/16, 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 2016 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 2015/16 plan, both assurance and non-assurance based:

Audit	Assurance Opinion	Direction of Travel	Key Findings
Treasury Management	Full	↕	We identified relatively few weaknesses consistent with our work from previous years. However, we raised one priority 3 recommendation as a result of our work where we consider controls may be further improved. The issue noted was with regard to the need to maintain a central record of all investments at the Authority - this detailing the amount invested, the renewal date, current rate, authorisation and investment period.
Budgetary Control	Full	↑	We identified relatively few weaknesses consistent with our work from previous years and did not raise any recommendations as a result of our work. As such, the assurance opinion has improved from 'substantial' in 2013/14.
General Ledger	Substantial	↕	Overall, we identified relatively few weaknesses consistent with our work from previous years. However, we have raised three priority 2 recommendations and one priority 3 recommendation as a result of our work where we consider controls may be further improved. The key issues highlighted were with regards to the approval of master file amendments, the formal review of user access on a periodic basis, and the review of audit trail reports.
Charity Advice	N/A	N/A	Advice on accounting structures, key reporting and auditing requirements etc. was provided to the Director of Finance & Resources and the Corporate Systems Development Manager by our charity specialists.
Food & Beverages	Substantial	N/A	DRAFT Overall, we raised five priority 2 recommendations and one priority 3 recommendation as a result of our work where we consider controls may be further improved. The key issues highlighted were with regards to the following: <ul style="list-style-type: none"> White Water Centre Procedures File - the procedures held in the local procedures file should be reviewed and updated to reflect current requirements.

Audit	Assurance Opinion	Direction of Travel	Key Findings
Dobbs Weir Phase 2	Substantial	↕	<ul style="list-style-type: none"> • Accuracy of Cashier Reconciliations - the Venue Catering Manager should sample check cash reconciliations to confirm that these have been completed correctly. • Gross Profit Reporting - a periodic report should be produced for senior management identifying the actual Gross Profit achieved, target and all issues impacting on the achievement of the target. The report should also identify the trend in Gross Profit over the course of the year and in comparison to previous years. • Purchase Orders - purchase orders raised through the e-financials should provide full detail as to the goods required. The orders should include a statement of the following: description of good, including brand name; quantity; net cost price; and total value of the order. • Certification of Delivery Notes / Invoices for Goods Received - where staff are receiving goods, they should be reminded of the requirement to confirm that all goods have been satisfactorily received as per the delivery note, and certify the delivery note as evidence of the fact. <p>Overall, we have identified a number of weaknesses, and have raised nine priority 2 recommendations as a result of our work where we consider controls may be further improved. This was largely consistent with our work on the systems of control in place around the project management and marketing of the Dobbs Weir construction scheme that was carried out over the period August to October 2013.</p> <p>The key issues highlighted were with regards to the following:</p> <ul style="list-style-type: none"> • Defining the 'Change Authority' - the Change Authority should be documented as part of the project initiation process which specifies the levels and tolerances at which different officers can authorise change controls (compensation events within NEC3 contract sums and change controls within the wider project budget/spend if applicable). • Including Delivery/Procurement Strategy Options in Outline Business Cases - delivery/procurement strategy options should be presented to decision makers as part of the approval of Outline Business Cases.

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<ul style="list-style-type: none"> • Confirmation of Consultant Insurances over the Duration of the Contract - consultants' professional indemnity insurances should be checked for the currency of their contractual obligations. Where insurances are going to demise over the period of their professional services, a schedule of review of insurance renewals should be produced. • Availability of Complete Versions of Signed Definitive Contracts - project managers should hold scanned copies of complete versions of signed definitive contracts. • Project Early Warning Notice (EWN), Risk Register, Quotation and Compensation Event Log - for NEC3 contracts, a comprehensive project EWN, risk register, quotation and compensation event log should be produced. It should record sufficient information to provide a comprehensive management trail of all risks and any management of issues arising via compensation events (change controls within the contract sum). • Assessment of Compensation Events for Cost Arising from EWNs - verbal instructions should be followed up with an instruction by the project manager to the contractor to submit quotations for the compensation event in accordance with NEC3 contract clauses 61.4 or 62.1. Where a quotation is not forthcoming, the project manager should assess the compensation event in accordance with NEC3 Contract clause 64.1. Where a quotation is received from the contractor, the project manager should reply within two weeks with his decision in accordance with NEC3 Contract clause 62.3. • Assessment of Compensation Events for Time Arising from Physical Conditions and Weather Measurements - compensation events for time should be assessed in accordance with NEC contract clauses. In particular: <ul style="list-style-type: none"> o Any delay due to physical conditions which are not weather conditions should be assessed in accordance with NEC3 contract clause 60.1 (12); and o Any delay due to weather should be assessed in accordance with NEC3 contract clause 60.1 (13).


Audit	Assurance Opinion	Direction of Travel	Key Findings
			<ul style="list-style-type: none"> • Re-measuring Provisional Sum Works Accurately - provisional sums should be omitted in the final account. Any corresponding works should be accurately and completely re-measured and the actual values taken to the final account. • Lessons Learnt Review and Project Closure - a lessons learnt and benefits realisation exercise, including a review of consultant and contractor performance, should be undertaken with immediate effect to ensure that all lessons learnt are captured before memories fade. The lessons learnt should be rigorously documented and taken to Phase 3. A condensed extracts concerning those elements that a future contractor would benefit from having knowledge of should be issued in the Invitation to Tender or otherwise provided as a condition of working up detailed design/cost plans/programmes. The condensed document should also be clearly referred to in the contract documents index and be engrossed with it.
Dobbs Weir Income Administration	Limited	N/A	<p>Overall we have raised two priority 1 recommendations and five priority 2 recommendations as a result of our work.</p> <p>The two priority 1 issues highlighted were with regards to the following:</p> <ul style="list-style-type: none"> • Debt Recovery Activities - management should ensure that recovery action on outstanding debts is taken in line with the Debt Recovery Policy. In order to facilitate an efficient debt recovery process, the suspense account should be cleared promptly and the Trust's income record on the system should be maintained accurate and up to date. • Accounting for Caravan Sales - an invoice should be raised for each caravan sale and management should implement a mechanism and central record to track an end to end caravan sales process. As minimum, the following should be included: <ul style="list-style-type: none"> ○ A complete list of all caravans purchased for sale - this should be compiled based on the invoices for caravan purchases from the manufacturer; ○ Name of the customer and corresponding sale's details against the list of caravans as indicated above; ○ Payment details - invoice recorded as receipted should be verified against the Trust's financial system. For the sales made previously without an invoice, payment details should be checked against the

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<p>Trust's financial record and system to confirm the receipt of payment; and</p> <ul style="list-style-type: none"> o Balance. <p>It is acknowledged that there is a list of caravan purchased and a separate list of caravan sales including corresponding payments. However, the list of caravan purchased has not been checked against the invoices for caravan purchases and we are unable to confirm the completeness and accuracy of the list. As minimum the total costs of caravan purchases on the spreadsheet should be checked against the Trust's financial system (total of invoices paid for caravans).</p> <p>In addition, the list of caravan sales to the customers and corresponding payments information are not currently linked to the list of purchased caravans and the income details are not checked against the Trust's financial system - we were therefore unable to confirm the completeness and accuracy of the information contained on the spreadsheet.</p> <p>The other key issues highlighted were with regards to the following:</p> <ul style="list-style-type: none"> • Independent checks of site rents due - independent checks on the occupation of the site should be conducted to ensure that all site fees have been completely and accurately identified. <p>Where management considers these checks are not practical, alternative sources of information such as gas and electricity invoices to the Trust may be used to identify the pitches that are occupied. This should then be checked against the site fees invoiced. Any pitches occupied without site fees should be followed up and remedied.</p> <ul style="list-style-type: none"> • Reconciliation of Rechargeable Expenses - independent checks on the recording of utility readings should be conducted to ensure that all rechargeable expenses have been completely and accurately identified. This can be achieved by reconciling the total energy bill for the pitches (as provided by the energy provider) against the total recharges invoiced to the residents, excluding any administration and service charges. • Invoicing - a target timeframe for raising customer invoices should be agreed and the timeliness of raising invoices should be monitored to ensure that the invoices are raised promptly.

15

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<ul style="list-style-type: none"> Income Collected at the Site - a process for dealing with income without a corresponding invoice number (whether it is non-invoiced income or an invoice has yet to be issued) should be formally defined, including a target timeframe for recording the income onto the Trust's financial system. The Customer Payment Record template should be reviewed to ensure that it captures all the information required by the Finance department to process the income and allocate the income in a complete, accurate and timely manner. An instruction should be provided to the site regarding the details required on the Customer Payment Record. Profit Target on Caravan Sales - management should consider setting a target profit margin for caravan sales. In addition, the profitability achieved from caravan sales should be periodically reviewed by management to ensure that the optimum level of income is generated from the caravan sales. <p>In order to facilitate an effective monitoring of the profitability, the caravan sales figures should be presented excluding the output VAT due to HMRC. As indicated under 'Accounting for Caravan Sales', an invoice should be raised for each caravan sale and the VAT amount should be accounted for in the sales invoices.</p>
Facilities Thematic	N/A	N/A	<p>Overall we have raised 15 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 the following:</p> <ul style="list-style-type: none"> Only one member of staff shall operate a till for the duration of a shift and the cashing should be completed by the cashier and the duty officer. A till reconciliation should be completed for each shift, and when agreed, should be signed off by both the cashier and duty officer. All session receipts produced run in sequence. Where a gap in the sequence is identified, the reason for the gap should be determined and documented. Finance should liaise with The White Water Venue and VeloPark to ensure that the venues take responsibility for completion of the Weekly Income Return. The problem experienced by venues in the receipting of income received from contactless payments should be referred to Clarity for resolution.

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<ul style="list-style-type: none"> • Venue Managers should be reminded of the requirement to properly complete the Drop Safe Record and maintain a cumulative record of cash held in the safe. • Venues Management should ensure that a clear and consistent approach to raising and monitoring invoices is implemented across the venues. This should involve invoice requests being submitted to Finance using the Authority/Trust's template pro-forma, and records of such requests being maintained by each facility. The progress of invoices from request through to their eventual payment should be monitored so that the venues can ensure that payment can be received in a timely manner prior to the provision of service. • Venues Management should identify those contractors which have been employed on a historic basis, and for which no competitive quotations have been sought for at least three years; and a programme to market test such contracts should be instituted to determine whether such suppliers continue to offer value for money. • Venues Management should identify contractors which are employed by venues and stated as a specialist supplier and these should be reported to Procurement Service, with a review undertaken to confirm the extent of possible alternatives. Where such suppliers are confirmed as a sole supplier, such suppliers should be incorporated within the Approved List and identified as such. • The Chandlery business managed by the marinas should be reviewed such that targets for gross profit on the business are established. Controls over the purchase, storage and issue of stock though the maintenance of accurate stock records and periodic stock checks should be implemented to confirm that actual gross profit is in line with target. • As per our 2013/14 recommendation, Venue Managers should again be reminded of the need to raise purchase orders prior to the placing of an order with a supplier. Venue Managers should also be reminded of the need to retain all invoices. Compliance should be monitored as part of the site visits conducted by Venues Management using sample testing. • Venues Management should liaise with Hayes Hill Farm to ensure that proper stock records and reconciliations are completed for the café.

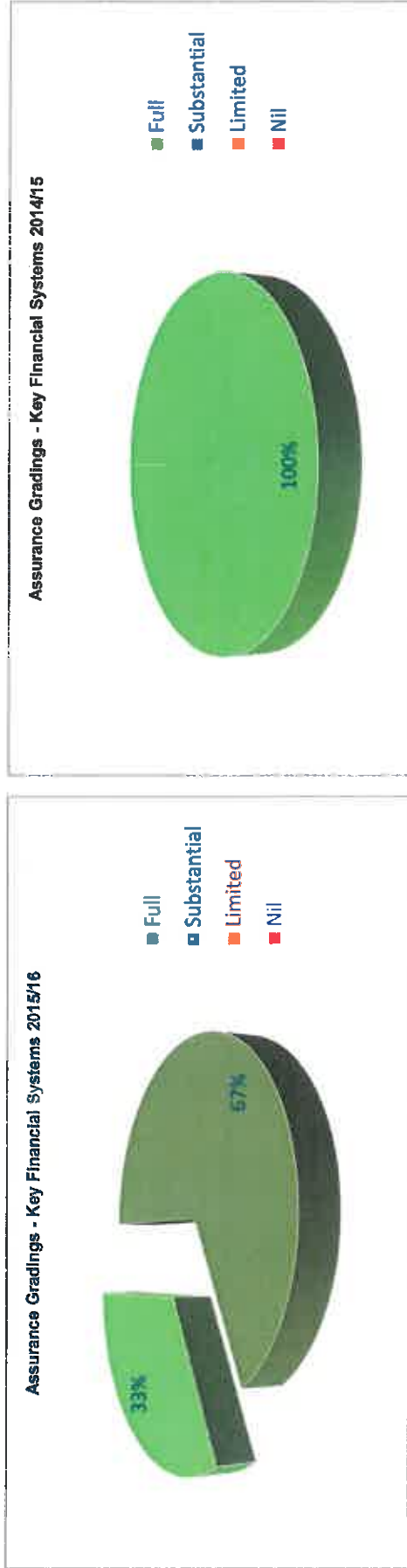
Audit	Assurance Opinion	Direction of Travel	Key Findings
			<ul style="list-style-type: none"> Stock takes at the campsites completed by Venners should be completed in accordance with the required time scales - that is, one every quarter for merchandising. Venues Management should review the deposits taken from boat owners at the two marinas to ensure consistency across both venues. Venues Management should investigate with Finance and resolve the discrepancies between venue records of deposits taken and that as recorded by Finance.
Facilities Spot Check - Athletics Venue	N/A	N/A	<p>DRAFT</p> <p>Overall, some positive steps have been taken by management to address the issues previously identified at the Athletics Venue as part of our Facilities Thematic work.</p> <p>The Venue Manager 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 some areas. In such instances, further actions were identified in six instances.</p>
Facilities Spot Check - White Water Centre	N/A	N/A	<p>Overall, some positive steps have been taken by management to address the issues previously identified at the White Water Centre as part of our Facilities Thematic work.</p> <p>The Venue Manager 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 some areas. In such instances, further actions were identified in five instances.</p>
GIS Application (IT Audit)	Substantial		<p>Overall, we identified some control weaknesses and raised one priority 2 and five priority 3 recommendations as a result of our work.</p> <p>The key issue highlighted was with regards to the Authority/Trust continuing to develop a Disaster Recovery (DR) process for the Geographical Information Systems (GIS) application which should then be included within the Authority/Trust's overarching DR Plan.</p>

Audit	Assurance Opinion	Direction of Travel	Key Findings
			<p>Other issues identified included the need to monitor support call performance, strengthen the access controls to the application, establish a work request process, finalise data quality procedures for GIS and maintain an audit trail to track changes.</p> <p>In 2012/13, we raised 9 recommendations. There is evidence of improvement with the controls in place since the completion of our previous work; and as such, we have provided an improved Direction of Travel status.</p>
Disaster Recovery (IT Audit)	TBC	TBC	<p>This IT audit was postponed as the Authority/Trust's consultants ran a full Business Continuity test exercise on 22 December 2015 focused on VeloPark and Corporate testing - this deferred the completion of the DR solution with the consultants presenting the DR project to the Senior Management Team on 29 March 2016. Work on the audit is currently in progress.</p>

Internal Control - Key Financial Systems

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

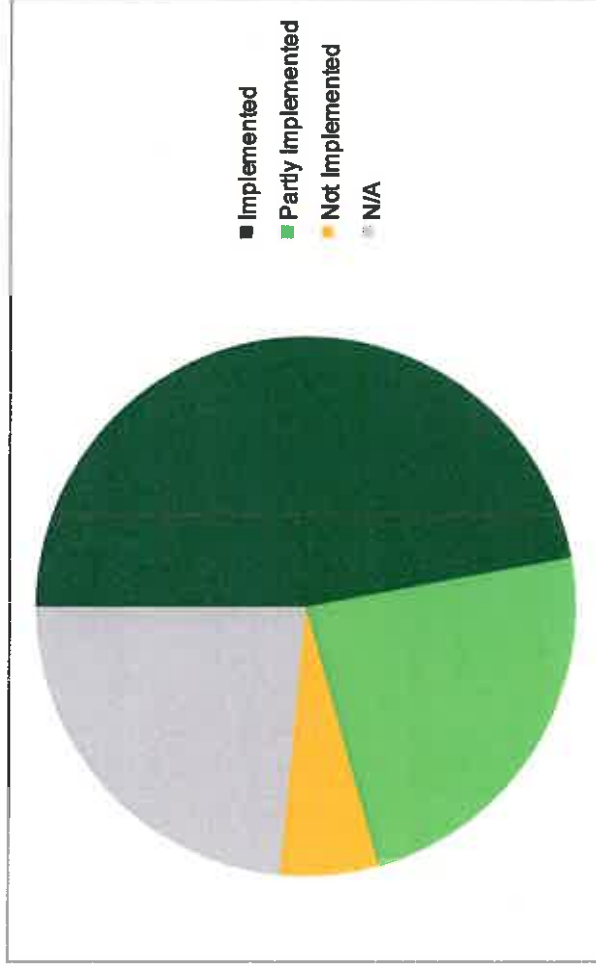
This process allows the external auditors to place reliance on the work performed by Internal Audit to provide the Authority with the necessary assurance that key financial controls in the fundamental systems are operating satisfactorily and support a robust control environment. It also allows the Authority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



Overall, there has been an improvement in the control environment around key financial systems. Taking account of the Direction of Travel assessment; on balance, it can be considered that key controls are operating in a consistent and effective manner. We are also pleased to note that no priority 1 recommendations were again issued in comparison to previous years (nil were issued in 2014/15 and 2013/14, and three were issued in 2012/13). This reflects the effort made by management to address key control recommendations raised in the year.

Follow-Up of Previously Raised Recommendations

As part of the Internal Audit Plan for 2015/16, we followed-up a number of recommendations previously raised in 2014/15 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/Trust's risk exposure is not reduced. The chart below shows the proportion of recommendations found to have been implemented, partly implemented, not implemented, and no longer applicable:



Overall, on the basis of the follow-up work completed, 94% of the recommendations had either been fully or partly implemented, or were no longer applicable. This compares positively to 88% in 2014/15, 86% in 2012/13, 76% in 2011/12, 88% in 2010/11, 83% in 2009/10, 84% in 2008/09 and 72% in 2007/08. As shown on the following page, of the three recommendations not implemented, two were priority 2 recommendations and one was a priority 3 recommendation. In all 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.

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 2016/17 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	Priority 1			Priority 2			Priority 3		
	I	P	N/A	I	P	N/A	I	P	N/A
2014/15:									
Hockey and Tennis Centre				7	4	1			
Website Content Management							2		
VeloPark				5	2				
Follow-ups were also conducted as part of the following full audits:									
Treasury Management							1		
Budgetary Control				1			2		
General Ledger				1				1	1
Dobbs Weir Phase 2				2	1	1	6		3
GIS Application (IT Audit)				1	4		1	2	1
Total	-	-	-	17	11	2	8	7	1 1 4

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
 High 1	Major issues for the attention of senior management and the audit committee.
 Medium 2	Important issues to be addressed by management in their areas of responsibility.
 Low 3	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.

Statement of Responsibility

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Mazars Public Sector Internal Audit Limited

London

June 2016

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M A Z A R S

Lee Valley Regional Park Authority Internal Audit Plan 2016/17

June 2016

This report has been prepared on the basis of the limitations set out on page 6.

This report and the work connected therewith are subject to the Terms and Conditions of the Engagement Letter dated 1 April 2015 between Lee Valley Regional Park Authority and Mazars Public Sector Internal Audit Limited under an arrangement agreed with Croydon Council. This report is confidential and has been prepared for the sole use of Lee Valley Regional Park Authority. This report 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, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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1. Executive Summary

This document sets out the proposed Internal Audit Plan for 2016/17.

The Plan has been formulated in conjunction with the Director of Finance & Resources for Lee Valley Regional Park Authority (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 Strategic Risk Registers of the Authority and the Trust, our findings from previous years' internal audit work, planned developments within the Authority and the Trust, and the requirements of the external auditors of the Authority and Trust.

The total planned days for 2016/17 is 155 - this consistent with the agreed days for the previous year (2015/16) and is split as follows:

Input Type	2016/17 Days	2015/16 Days (Actual)	2015/16 Days (Budgeted)
General Audit and Advisory	83	90	92
IT Audit	10	24	24
Contract Audit	-	12	12
Proactive Counter Fraud	18	-	-
Follow-Up	10	10	10
Management and Consultation	12	14	10
Contingency	22	5	7
Total	155	155	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 and the Director of Business Support on an on-going basis.

The number of contingency days for 2016/17 is higher than the previous year - this is to take account of the various changes the Trust is going through since its formation and any further changes and developments 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 2016/17

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 (Creditors, Cash and Banking, and Debtors)	18	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 - this to reduce duplication and the impact of our work on the Finance Team. Debtors and Payroll were audited in 2014/15 and Treasury Management, Budgetary Control and General Ledger audited in 2015/16. It is intended that Creditors and Cash and Banking will be covered as part of the 2016/17 internal audit plan. Whilst Debtors were audited in 2014/15, this will be revisited again in 2016/17 due to our findings from the Dobbs Weir Income Administration audit.	Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support
Property Leases and Accommodation Management	12	We will review the control processes over the management of property leases and accommodation. The potential coverage will include but not limited to determination of lease rates, vetting process, deposits, record maintenance, and review processes.	Stephen Roberts - Head of Property Beryl Foster - Director of Corporate Services Simon Sheldon - Director of Finance & Resources
Events Management	15	As requested by management, we will assess the process over the management of events including contracts/agreement, risk management, health and safety, security, and communication with relevant officers/bodies, both internal and external.	Dan Buck - Head of Sport & Leisure Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support

Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Sickness Absence Management	8	<p>Whilst management do not have any concerns over the reported sickness absence levels, we have not audited this area previously and there is a potential risk relating to the completeness and accuracy of the sickness absence data being recorded.</p> <p>We will select a sample of venues and functions to assess the compliance with the sickness absence management process - this including recording of absences and the steps taken by managers to ensure the completeness and accuracy of the record.</p>	Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support
Use of Credit Cards - Audit of Control Process	12	We will undertake a full system audit of the management of the Authority/Trust's credit cards - this including regular reconciliation, retention of supporting documents and sign off of transactions.	Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support
Use of Credit Card - Data Analysis (Proactive Counter Fraud Work)	8	We will undertake a data analysis on the credit card payments to identify areas of potential anomalies for further investigation.	Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support
Risk Management (Trust)	6	<p>Following the creation of the separate business entity, Lee Valley Leisure Trust Limited as from 1 April 2015, a new risk register has been developed for the Trust to take account of the operations and responsibilities that have transferred over to the Trust.</p> <p>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.</p>	Nigel Foxall - Director of Business Support
Anti-Fraud and Corruption Policy Review (Proactive Counter Fraud work)	4	<p>The Anti-Fraud and Corruption Policy was last reviewed by the Authority in 2013 and is due to be reviewed during 2016.</p> <p>Our work is intended to assist management in their review process and will include advice to both the Authority and the Trust.</p>	Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support

Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Anti-Fraud and Corruption Awareness Survey and Workshop (Proactive Counter Fraud work)	6	We will undertake an awareness survey in respect of the Anti-Fraud and Corruption Policy to determine the extent of which the Policy has been embedded within the Authority and the Trust, and establish staff's perspective on the policy and procedures.	Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support
Parkland & Venues			
Facilities - Unannounced Spot Check, VeloPark	6	As requested by management, we will complete work at VeloPark. This will include following up on issues identified as part of our 2015/16 Facilities Thematic audit and covering the financial management arrangements at the site.	Nigel Foxall - Director of Business Support
Facilities - Unannounced Spot Check, Hockey and Tennis Venue	6	As requested by management, we will complete work at the Hockey and Tennis Venue. This will include following up on issues identified as part of our 2015/16 Facilities Thematic audit and covering the financial management arrangements at the site.	Nigel Foxall - Director of Business Support
IT Audit			
To be determined	10	To be determined. However, consideration will be given to Business Continuity and the Follow Up of the 2014/15 and 2015/16 IT Audit recommendations.	Simon Sheldon - Director of Finance & Resources Nigel Foxall - Director of Business Support Simon Clark - IT Manager
Follow-Up, Management and Consultation, and Contingency			
Follow-Up	10	Completion of follow-up work on recommendations raised and agreed as part of the 2015/16 Internal Audit Plan, together with any other outstanding recommendations, where the same audits are not being undertaken again as part of the 2016/17 Plan. 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 the 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.	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	22	To be allocated as necessary during the course of the year.	N/A
Total	155		

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