



LEE VALLEY REGIONAL PARK AUTHORITY
AUDIT COMMITTEE
21 JUNE 2018 AT 13:00

Agenda Item No:

5

Report No:

AUD/88/18

**ANNUAL REPORT ON THE WORK OF INTERNAL AUDIT
2017/18 AND AUDIT PLAN 2018/19**

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 2017/18.

The Audit Plan for 2017/18 was approved by the Audit Committee in June 2017 (Paper AUD/77/17). 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 2018/19.

RECOMMENDATIONS

- Members Note: (1) the annual report of the Internal Auditors for 2017/18 detailed in Appendix A to this report; and
- Members Approve: (2) the annual Audit Plan for 2018/19 as detailed in Appendix B to this report.

BACKGROUND

- 1 The Audit Plan for 2017/18 was approved at a meeting of the Audit Committee in June 2017 (Paper AUD/77/17). 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. 2018/19 will be the first year of a new 6 year contract under a framework agreement held by the London Borough of Croydon and approved by Members of this Committee (Paper AUD/85/18 22 February 2018).

AUDIT WORK – 2017/18

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

2017/18 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 – 2017/18

- 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 to this report. This states:

From the Internal Audit work undertaken in compliance with the PSIAS in 2017/18, 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 2018 accords with proper practice.

- 8 The key findings of the report for each Audit carried out in 2017/18 (pages 5 to 8 in Appendix A to this report) summarise the main recommendations. All areas audited indicated full or substantial assurance with no Priority 1 recommendations.

All priority 1 recommendations made in individual Audit Reports to improve the internal control environment are implemented immediately (or as soon as is practical to do so). Where priority 2/3 recommendations are made, management consider this in context of the risk and resource required to make the improvement and prepare a written response to the auditors setting out plans for implementation including the officer responsible and the timing of any implementation.

Page 9 of Appendix A to this report sets out the auditors view on key financial system audits carried out in the year. Financial systems are reviewed on a cyclical basis based upon the level of risk in any particular area. 2017/18 provided substantial assurance in all areas audited as has been the case in the previous three years.

Pages 10 to 12 of Appendix A to this report provide assurance regarding the level of implementation of recommendations from the previous year's audits.

- 9 All key findings and recommendations from all the audits in 2017/18 will be monitored by the auditors during 2018/19. Adequate follow-up time to do this has been incorporated into the Audit Plan for the year ahead.

ANNUAL AUDIT PLAN - 2018/19

- 10 Appendix B to this report sets out a summary Plan for Audit during 2018/19. 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 2018/19; 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 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 | 2015/16 | 2016/17 | 2017/18 | 2018/19 Plan |
|---------------------------------------|-------------|-------------|-------------|--------------|
| Payroll | N/A | N/A | Substantial | N/A |
| Debtors | N/A | Substantial | N/A | N/A |
| Creditor | N/A | Substantial | N/A | N/A |
| Treasury Management | Full | N/A | N/A | New |
| Budgetary Control | Full | N/A | N/A | New |
| General Ledger | Substantial | N/A | N/A | N/A |
| Cash & Banking | N/A | Substantial | N/A | N/A |
| Debt Management | N/A | N/A | Substantial | N/A |
| High Risk Transactions & Key Controls | N/A | N/A | Substantial | N/A |

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.

Author: Simon Sheldon, 01992 709859, ssheldon@leevalleypark.org.uk

PREVIOUS COMMITTEE REPORTS

| | | | |
|-----------------|-----------|--|------------------|
| Audit Committee | AUD/85/18 | Award of Internal Contract | 22 February 2018 |
| Audit Committee | AUD/77/17 | Annual Report on the Work of Internal Audit 2017/18 & Audit Plan 2018/19 | 22 June 2017 |
| Audit Committee | AUD/69/16 | Annual Report on the Work of Internal Audit 2016/17 & 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 Audit Annual Report 2017/18 |
| Appendix B | Internal Audit Plan 2018/19 |

LIST OF ABBREVIATIONS

| | |
|-----------|--|
| 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 2017/18

June 2018

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Status of Our Reports

This report ("Report") was prepared by Mazars LLP 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 internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit 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 LLP 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 in Appendix 2 of this report for further information about responsibilities, limitations and confidentiality.



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 2017/18 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 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 2017/18 included a total of 13 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 2018/19. It should be noted that there were no scope impairments or restrictions in 2017/18.

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 2017/18.

In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2017/18.

Acknowledgement

We would like to take this opportunity to thank management and staff for the co-operation that we have received during the 2017/18 financial year.

Overall Summary

As illustrated in the tables below, there has been an improvement in the percentage of audits receiving a 'Full' or 'Substantial' assurance grading from 80% last year to 100% this year. There have been no 'Limited' assurance gradings this year compared to two in 2016/17. The number of 'No Opinion' assurance pieces of work has increased from three to eight, this is due to an increase in the number of Facilities Spot Checks from two to four plus Risk Management; Anti-Fraud and Corruption Work; and the IT Audit Needs Analysis being completed this year.

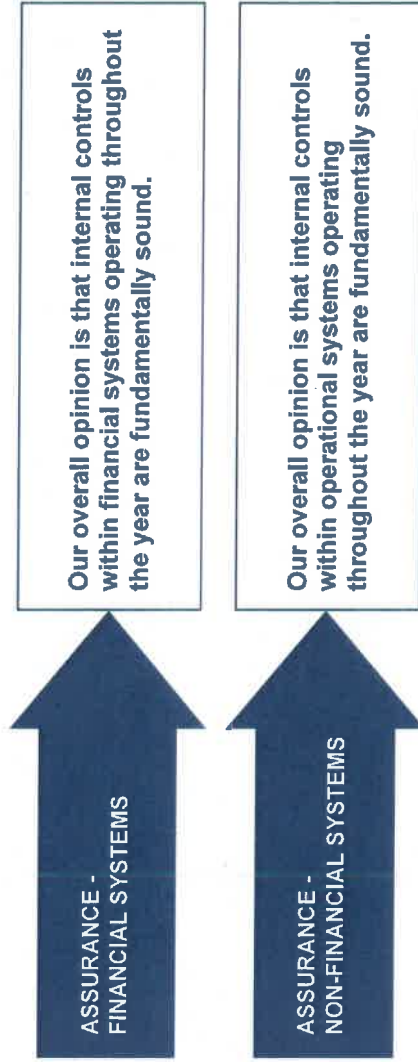
Report Ratings

We are pleased to report that we have not issued any 'nil assurance' opinions in 2017/18 (none were issued in 2016/17).

| Assurance Gradings | Number of Projects | |
|---------------------------------|--------------------|-----------|
| | 2017/18 | 2016/17 |
| Full | 0 | 1 |
| Substantial | 4 | 7 |
| Limited | 0 | 2 |
| Nil | 0 | 0 |
| Sub-Total | 4 | 10 |
| No Opinion Assurance Work | 8 | 3 |
| Work In Progress | 1 | 0 |
| Total Projects Delivered | 13 | 13 |



Opinion 2017/18


From the Internal Audit work undertaken in compliance with the PSIAS in 2017/18, 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 2018 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 2017/18 plan, both assurance and non-assurance based:

| Audit | Assurance Opinion | Direction of Travel | Key Findings |
|--|-------------------|---|---|
| Debt Management (Authority/Trust) | Substantial |  | <p>We identified relatively few weaknesses consistent with our work from previous years. We raised only one priority 3 recommendation as a result of our work where we consider controls may be further improved.</p> <p>The issue highlighted was in relation to bank reconciliations and ensuring that they are signed by both persons reviewing them and then evidence of this review being retained.</p> <p>From the three recommendations that were made previously in 2016/17 (covering procedure guidelines, refunds, and debt monitoring) two of these had been implemented and one was no longer applicable.</p> |
| Payroll (Authority/Trust) | Substantial |  | <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> <p>The two issues highlighted were with regards to retaining signed staff employment contracts and the procedures in place for processing expenses claims.</p> <p>From the two recommendations raised in the previous audit in 2012/13, one had been re-raised (signed employment contracts) and the other had been implemented (leaver forms).</p> |
| Analysis of High Risk Transactions and Key Control Testing (Authority/Trust) | Substantial | N/A | <p>Overall, we raised six priority 2 recommendations and two priority 3 recommendation as a result of our work where we consider controls may be further improved.</p> <p>The key issues noted were: venues periodically reconciling bookings to the income as booked and income received; undertaking reconciliations between the value of services intended function of the 'Manager Button' being clearly set out and including this in the venues' Normal Operating Procedures; producing Cascade reports in order to assist Venue Managers in reviewing £0 transactions; investigating adjusted till reconciliations and making reviewers aware of the need to review all till reconciliations to understand adjustments made; and that Cascade refund reports should be publicised and venues worked with to improve the reporting of negative transactions.</p> <p>In addition, target profit margins should be agreed for each venue and for specific</p> |

| Audit | Assurance Opinion | Direction of Travel | Key Findings |
|---|--------------------|--|--|
| <p>Dobbs Weir Final Phase Expansion Works (Authority)</p> | <p>Substantial</p> | <p style="text-align: center;"></p> | <p>income streams as appropriate, and where Venners make recommendations these should be subject to monitoring in order to confirm that venues have implemented corrective actions; and costing and target profit margin for venues should be formalised for venues with significant catering functions, with performance against target being monitored to improve performance.</p> <p>Overall we have identified a number of weaknesses and have raised six priority 2 and seven priority 3 recommendations as a result of our work where we consider controls may be further improved.</p> <p>The key issues noted were: considering procurement strategy options as part of the Outline Business Cases and approving and recording the recommended option in minutes; all invoices received should be checked for services received; obtaining confirmation from consultants that they hold appropriate insurance cover; all tender envelopes should be date and time stamped, have the date and time stamping accurately transposed to the tender opening register, and be securely retained on file; Summary Priced Schedules that record tender return totals should be initialised and dated by the tender openers; contract award decisions should be recorded/minuted in accordance with the Scheme of Delegation; Architect/Contract Administrator's instructions that create contract variations with a price effect should be issued in writing and sufficient detail to evidence the validity of the associated costs should be retained in shared folder project files and not in personal email folders; variations should be reviewed and approved as required by the agreed change control process; estimates of Final Cost should be produced on a monthly basis, be provided to the employer, and retained on file; certificates of non-completion should be issued in all cases where the contractor fails to complete by the date for completion or by an adjusted date for completion in accordance with the JCT Contract Conditions; an interim review of consultant and contractor performance should be programmed in for completion, with a Lessons Learnt and Benefits Realisation exercise also being undertaken; the reasons for contractors failing to make bids should be ascertained, documented and retained on file; and evidence of the satisfactory clearance of defects should be obtained and retained on file.</p> |
| <p>Risk Management (Authority/Trust)</p> | <p>N/A</p> | <p>N/A</p> | <p>There was an update and presentation to Audit Committee. The remainder of the days have been moved to 2018/19</p> |

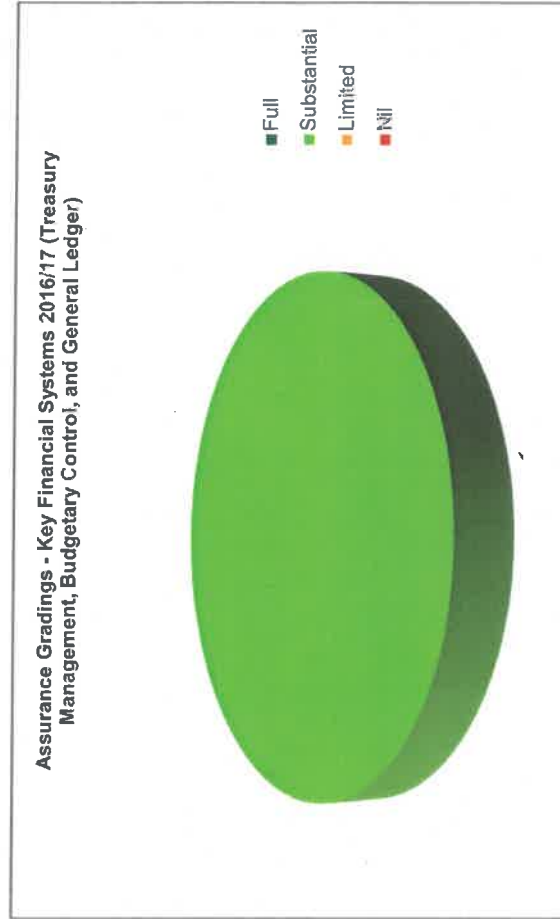
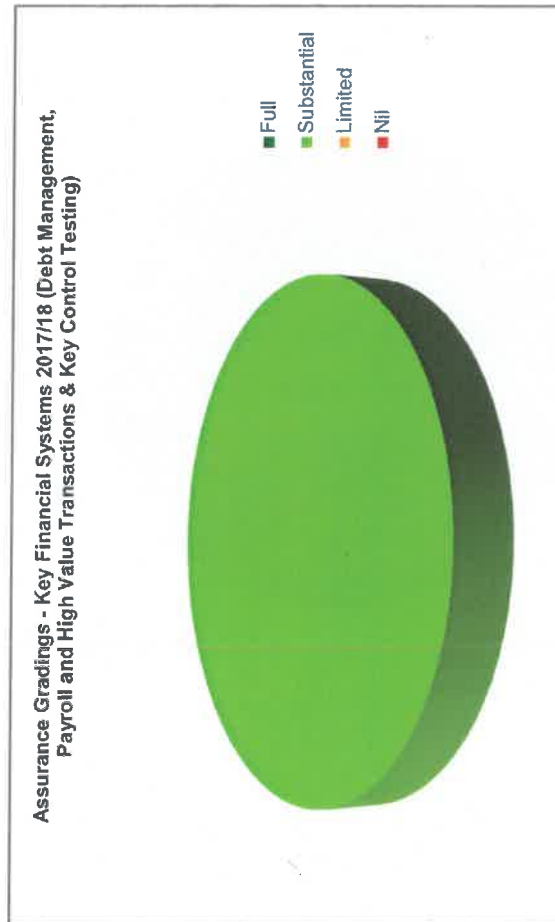
| Audit | Assurance Opinion | Direction of Travel | Key Findings |
|--|-------------------|---------------------|---|
| Anti-Fraud and Corruption Policy Review (Proactive Counter Fraud Work) (Trust) | N/A | N/A | We reviewed the Anti-Fraud & Corruption Policy from a counter fraud perspective. Suggested alterations to these and relevant supporting templates were provided to the Director of Business Support for the Trust for consideration. |
| Anti-Fraud and Corruption Awareness Survey and Workshop (Proactive Counter Fraud Work) (Authority/Trust) | N/A | N/A | Preparatory work completed with remainder of days moved to 2018/19 to provide training and e-learning facilities to enable the Authority and Trust to embed Anti-Fraud and Corruption Awareness |
| Facilities Spot Check – Dobbs Weir Campsite (Trust) | N/A | N/A | The Campsite Managers demonstrated good awareness and understanding of the controls required to be operated, which is key in terms of helping to ensure both the effectiveness and continuation of their operation. Some controls were not yet in place or were not operating consistently or effectively: further actions were identified in five instances. |
| Facilities Spot Check – Springfield Marina (Trust) | N/A | N/A | The Marina Managers demonstrated a good 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. However, a few minor weaknesses were identified with regards to some controls. Three further actions were raised in response to these control weaknesses. |
| Facilities Spot Check – Stanstead Marina (Trust) | N/A | N/A | The Marina management demonstrated awareness and understanding of the controls required to be operated, which is key in terms of helping to ensure both the effectiveness and continuation of their operation. However, a few minor weaknesses were identified with regards to some controls. In the four relevant instances, further actions have been identified and included in the action plan. |

| Audit | Assurance Opinion | Direction of Travel | Key Findings |
|--|-------------------|---------------------|--|
| Facilities Spot Check – Sewardstone Campsite (Trust) | N/A | N/A | <p>During this spot check, the Campsite Managers demonstrated good awareness and understanding of the controls required to be operated, which is key in terms of helping to ensure both the effectiveness and continuation of their operation.</p> <p>Some controls were not yet in place or were not operating consistently or effectively: further actions were identified in six instances.</p> |
| Computer Audit Needs Assessment and Strategic Plan (Authority/Trust) | N/A | N/A | <p>Annual Plan (Years 1 – 3).</p> <p>Year 1:</p> <ul style="list-style-type: none"> • Cyber Security – high risk • PCI DSS – medium risk <p>Year 2:</p> <ul style="list-style-type: none"> • Network Infrastructure – medium risk • Clarity (Leisure Management System) – medium risk <p>Year 3:</p> <ul style="list-style-type: none"> • Cyber Security – high risk • Business Continuity – medium risk |
| Cyber Security (Authority/Trust) | N/A | N/A | <p>Draft Report</p> <p>Draft report issued 8 June 2018. No details are included here as the report has yet to be finalised.</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 charts below summarises the audit gradings in this key area:

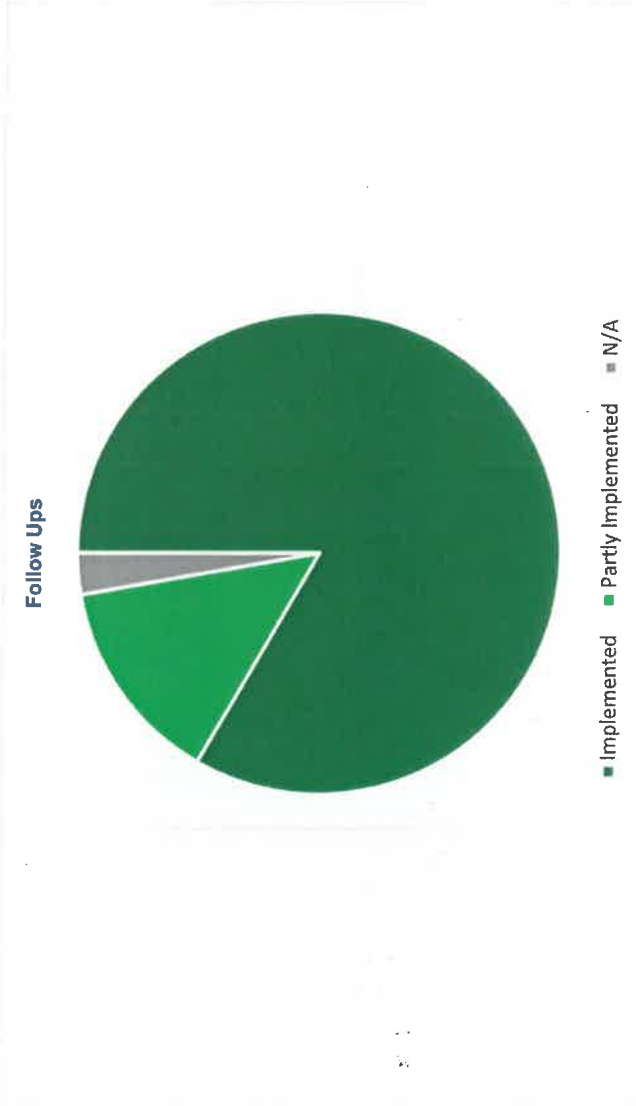


Overall, we were able to confirm that there is a sound control environment in respect of debt management, payroll and high value transactions; and that key controls are operating in a consistent and effective manner. We are also pleased to note that no priority 1 recommendations were again raised this year, this is consistent with previous years (nil were issued in 2016/17, 2015/16, and 2014/15). 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 2017/18, we followed-up a number of recommendations previously raised in 2016/17 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, 100% of the recommendations had either been fully or partly implemented - increasing from 77% in 2016/17.

As shown on the following page, there was one spot check where the follow up is yet to be completed. An update on implementation of the outstanding actions has been requested but not yet received.

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 2018/19 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 2016/17 | Priority 1 | | | | | Priority 2 | | | | | Priority 3 | | | | |
|----------------------|------------|----------|----------|----------|--|------------|----------|----------|----------|--|------------|----------|----------|----------|--|
| | I | P | N | N/A | | I | P | N | N/A | | I | P | N | N/A | |
| Sickness Absence | 0 | 0 | 0 | 0 | | 1 | 1 | 0 | 0 | | 1 | 0 | 0 | 0 | |
| Cash and Bank | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | | 2 | 0 | 0 | 0 | |
| Creditors | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | | 5 | 0 | 0 | 0 | |
| Credit Cards | 0 | 0 | 0 | 0 | | 1 | 0 | 0 | 0 | | 2 | 0 | 0 | 0 | |
| Debtors | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | | 2 | 0 | 0 | 0 | |
| Event Management | 0 | 0 | 0 | 0 | | 1 | 0 | 0 | 0 | | 1 | 0 | 0 | 0 | |
| Riding Centre | 3 | 1 | 0 | 0 | | 4 | 1 | 0 | 0 | | 0 | 0 | 0 | 0 | |
| Sewardstone Campsite | 3 | 1 | 0 | 0 | | 4 | 1 | 0 | 0 | | 0 | 0 | 0 | 0 | |
| Total | 6 | 2 | 0 | 0 | | 11 | 3 | 0 | 1 | | 13 | 0 | 0 | 0 | |





| Audit / Spot Check | I | P | N |
|--|----------|----------|----------|
| Picketts Lock – Part of High Risk Transactions Audit | 6 | 0 | 0 |
| Hayes Hill* | N/A | N/A | N/A |
| Total | 6 | 0 | 0 |

* Follow up to be completed.

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 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 LLP 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 by any third party is entirely at their own risk.

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Lee Valley Regional Park Authority and Vibrant Partnerships
Internal Audit Plan 2018/19

June 2018

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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 2018/19.

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 2018/19 is 155 - this consistent with the agreed days for the previous year (2017/1) and is split as follows:

| Input Type | 2018/19 Days | 2017/8 Days Actual | 2017/18 Days Budgeted |
|---|--------------|--------------------|-----------------------|
| Financial Systems, General Audit and Advisory | 72 | 75 | 81 |
| IT Audit | 34 | 20 | 20 |
| Contract Audit | 12 | 12 | 12 |
| Proactive Counter Fraud | 10 | 10 | 14 |
| Follow-Up | 10 | 10 | 10 |
| Management and Consultation | 12 | 12 | 12 |
| Contingency | 5 | - | 6 |
| Total | 155 | 139 | 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.

There are 5 contingency days for 2018/19. These are to take account of any further changes and developments that may take place during the year, and to meet management requests arising from the Trust's internal quality assurance process on the venues. 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.

2. Internal Audit Plan 2018/19

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 (Treasury Management and Budgetary Control) | 12 | <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"> • 2017/18 – Debt Management and Payroll • 2016/17 - Creditors, Debtors and Cash and Banking • 2015/16 - Treasury Management, Budgetary Control and General Ledger | <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> |
| Performance Management of Commercial Activities (Stock Management and Profitability of Commercial Activities) | 20 | <p>Potential areas include:</p> <ul style="list-style-type: none"> • Reporting and escalating of Venner's stock take outcome; • Use of stock module on Clarity or alternative stock management system; • Profit margin targets and review of performance against targets; and • Costing of catering activities. | <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> |
| Contract Management Or Procurement Audit | 12 | <p>Contract Management</p> <p>Exact scope to be agreed once a sample of contracts have been selected. However, potential areas will include monitoring of</p> | <p>Nigel Foxall - Director of Business Support (Trust)</p> |

| Audit | Planned Days | Proposed Coverage | Lead Contact(s) |
|--|--------------|---|---|
| | | <p>contractor's performance, escalation process, remedies and renewal/extension process.</p> <p>Procurement</p> <p>Potential coverage include:</p> <ul style="list-style-type: none"> • Tendering process; • Use of framework; • Management of approved supplier list; and • Allocation on works. | <p>Simon Sheldon - Director of Finance & Resources (Authority)</p> |
| Health and Safety | 12 | <p>Potential areas include:</p> <ul style="list-style-type: none"> • Staff training and awareness; • Risk assessments; • Inspections and follow up activity; • Incidents; and • Management reporting. | <p>Nigel Foxall - Director of Business Support (Trust)</p> <p>Simon Sheldon - Director of Finance & Resources (Authority)</p> |
| Risk Management (Authority and Trust) | 10 | <p>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.</p> <p>We reviewed the adequacy of the Risk Management Framework during 2017/18 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> <p>During 2018/19, we will assess whether the risk management processes for both the Authority and Trust are operating efficiently and effectively.</p> | <p>Nigel Foxall - Director of Business Support (Trust)</p> <p>Simon Sheldon - Director of Finance & Resources (Authority)</p> |
| Anti-Fraud and Corruption Policy Review (Proactive Counter Fraud Work) Trust | 10 | <p>During 2016/17, we reviewed the Authority's Anti-Fraud and Corruption Policy Framework and suggested changes for consideration.</p> | <p>Nigel Foxall - Director of Business Support (Trust)</p> |

| Audit | Planned Days | Proposed Coverage | Lead Contact(s) |
|--|--------------|--|---|
| | | <p>During 2017/18, we assessed and provided advice in respect of the Trust's Anti-Fraud and Corruption Policy Framework. We also delivered 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. Proactive Fraud work during 2018/19 will follow on from our previous work.</p> | <p>Simon Sheldon - Director of Finance & Resources (Authority)</p> |
| Parkland & Venues | | | |
| Facilities - Unannounced Spot Check, TBC | 6 | <p>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.</p> | <p>Nigel Foxall - Director of Business Support (Trust)</p> |
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| IT Audit | | | |
| PCI Compliance | 12 | <p>This review will look at the security and standards in place to meet the PCI requirements and will focus on policies and procedures, security of the network, management, protection and storage of cardholder data, antivirus and patch management, physical and logical access controls, and monitoring of the network.</p> | <p>Simon Sheldon - Director of Finance & Resources (Authority) Nigel Foxall - Director of Business Support (Trust) Simon Clark - IT Manager (Trust)</p> |

| Audit | Planned Days | Proposed Coverage | Lead Contact(s) |
|--|--------------|---|---|
| Clarity (Leisure Management System) | 10 | <p>The Organisation's Leisure Management System is of key importance to the Organisation's operation which has around 12 modules dealing with, for example, membership, direct debits, and invoice processing, as well as booking arrangements. This audit will cover the following application controls within the Leisure Management system covering circa 3 modules as a sample. The areas covered in this audit will include:</p> <ul style="list-style-type: none"> • Access Controls to the Application; • Data Input; • Data Output; • Data Processing; • Management Trails; • Interfaces; • Backup; and • Support Arrangements. | <p>Simon Sheldon - Director of Finance & Resources (Authority) Nigel Foxall - Director of Business Support (Trust) Simon Clark - IT Manager (Trust)</p> |
| Network Infrastructure | 12 | <p>The network infrastructure enables users to connect to servers and equipment which is not directly connected to their own physical PC or workstation. This could be on the next desk (as in printers), other rooms, other buildings or even other countries depending on the type of network. A review of the network infrastructure will look at how the Organisation's network is accessed, how it is supported and monitored and how the network is secured against unauthorised access. As part of the audit we will use a Security Computer Audit Tool called SekChek to look at the Network Server Operating System (O/S) configuration and logical access controls.</p> | <p>Simon Sheldon - Director of Finance & Resources (Authority) Nigel Foxall - Director of Business Support (Trust) Simon Clark - IT Manager (Trust)</p> |
| 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 2017/18 Internal Audits. 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 | 5 | To be allocated as necessary during the course of the year. | N/A |
| Total | 155 | | |

Appendix 1 - Statement of Responsibility

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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