



LEE VALLEY REGIONAL PARK AUTHORITY
AUDIT COMMITTEE
20 JUNE 2019 AT 14:00

Agenda Item No:

5

Report No:

AUD/98/19

**ANNUAL REPORT ON THE WORK OF INTERNAL AUDIT
2018/19 AND AUDIT PLAN 2019/20**

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 2018/19.

The Audit Plan for 2018/19 was approved by the Audit Committee in June 2018 (Paper AUD/88/18). 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 2019/20.

RECOMMENDATIONS

- Members Note: (1) the annual report of the Internal Auditors for 2018/19 detailed in Appendix A to this report; and
- Members Approve: (2) the annual Audit Plan for 2019/20 as detailed in Appendix B to this report.

BACKGROUND

- 1 The Audit Plan for 2018/19 was approved at a meeting of the Audit Committee in June 2018 (Paper AUD/88/18). 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. 2019/20 will be the second year of a 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 – 2018/19

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

2018/19 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 – 2018/19

- 6 The full report from Mazars is attached at Appendix A 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 2018/19, it is our opinion that we can provide **Substantial Assurance** that the system of internal control in place at the Authority and Lee Valley Leisure Trust Ltd (the Trust) for the year ended 31 March 2019 accords with proper practice.

- 8 The key findings of the report for each Audit carried out in 2018/19 (pages 5 to 26 in Appendix A of this report) summarise the main recommendations. All areas audited indicated full or substantial assurance with the exception of Performance Management of Commercial Activities within the Trust which had a limited assurance. There were 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.

Financial systems are reviewed on a cyclical basis by the auditors based upon the level of risk in any particular area. 2018/19 provided full and substantial assurances in the areas audited as has been the case in previous years.

Pages 27 to 29 of Appendix A to this report provides 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 2018/19 will be monitored by the auditors during 2019/20. Adequate follow-up time to do this has been incorporated into the Audit Plan for the year ahead.

ANNUAL AUDIT PLAN - 2019/20

- 10 Appendix B to this report sets out a summary Plan for Audit during 2019/20. The Plan takes into account the following:
 - the Authority's Strategic Risk Register;
 - internal audit findings from previous years' audit work;

- planned developments/changes 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 163 days to allow completion of the Audit Plan in 2019/20 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 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	2016/17	2017/18	2018/19	2019/20 Plan
Payroll	N/A	Substantial	N/A	N/A
Debtors	Substantial	N/A	N/A	New
Creditor	Substantial	N/A	N/A	New
Treasury Management	N/A	N/A	Full	N/A
Budgetary Control	N/A	N/A	Substantial	N/A
Cash & Banking	Substantial	N/A	N/A	New
Debt Management	N/A	Substantial	N/A	N/A
High Risk Transactions & Key Controls	N/A	Substantial	N/A	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.

PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/88/18	Annual Report on the Work of Internal Audit 2018/19 & Audit Plan 2019/20	21 June 2018
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 Annual Audit Report 2018/19
Appendix B	Internal Audit Plan 2019/20

LIST OF ABBREVIATIONS

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



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

May 2019

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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 2018/19 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 2018/19 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. It should be noted that there were no scope impairments or restrictions in 2018/19.

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 2018/19.

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In this report, we have drawn on the findings and assessments included in all internal audit reports issued in 2018/19.

Acknowledgement

We would like to take this opportunity to thank management and staff for the co-operation that we have received during the 2018/19 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 88% this year. There have been one 'Limited' assurance grading this year which is the same number as in 2017/18. The number of 'No Opinion' assurance pieces of work has decreased slightly from eight to seven.

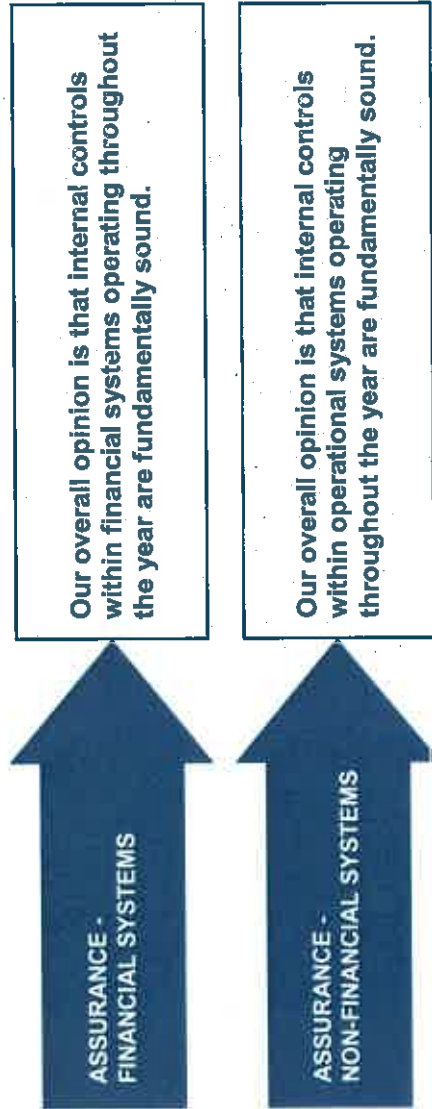
Report Ratings

We are pleased to report that we have not issued any 'nil assurance' opinions in 2018/19 (none were issued in 2017/18).

Assurance Gradings	Number of Projects	
	2018/19	2017/18
Full	2	0
Substantial	3	4
Limited	1	1
Nil	0	0
Sub-Total	6	5
No Opinion Assurance Work	7	8
Work In Progress	0	0
Total Projects Delivered	13	13

Opinion 2018/19

From the Internal Audit work undertaken in compliance with the PSIAS in 2018/19, 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 2019 accords with proper practice. The assurance can be further broken down between financial and non-financial systems, as follows:



Audits Undertaken

This table provides an overview of all the assignments undertaken and the assurance provided, where applicable, where no notes are included in the column there is a fuller description of the outcome of the audit in the next section of the report.

Audit	Assurance Opinion	Direction of Travel	Notes
Treasury Management (Authority)	Full	↔	
Treasury Management (Trust)	N/A	N/A	A briefing note was issued for this work as an opinion for the work could not be given. An audit to test compliance with the new arrangements will be considered for 2019/20 as part of the risk based audit planning process.
Budgetary Control (Authority)	Substantial	↔	
Budgetary Control (Trust)	Substantial	N/A (first separate audit of this area)	
Performance Management of Commercial Activities (Trust)	Limited	N/A (first audit of this area)	
Contract Procurement Advice Work (Trust)	N/A	N/A	Work completed by the specialist Contract Auditor
Risk Management (Trust and Authority)	Need to insert this when risk work finalised as not all evidence from Trust available. Authority will be Substantial but can't confirm Trust as yet.	N/A	The Risk Management framework for both the Trust and Authority has been visible throughout the year and some advisory work has been completed to support both organisations to challenge and continuously develop their risk management approach. At the year-end an assurance review was undertaken to help inform the Head of Internal Audit Opinion provided.
Anti-Fraud and Corruption Policy Review	N/A	N/A	E-learning template for the Trust and Authority. Four workshops on Fraud Awareness and sign-posting to the e-

Audit	Assurance Opinion	Direction of Travel	Notes
(Trust and Authority)			Learning, were also completed.
Facilities Spot Check – Athletics Centre (Trust)	N/A	N/A	
Facilities Spot Check – Ice Centre (Trust)	N/A	N/A	
Facilities Spot Check – White Water Centre (Trust)	N/A	N/A	
PCI Compliance (Trust)	Full	N/A (first separate audit of this area)	
Clarity (Leisure Management System) (Trust)	Substantial	N/A (first separate audit of this area)	

Final Internal Audit Report Summary and Recommendations – 2018/19

Treasury Management (Authority)

The Treasury Management function is responsible for the management of cash flows, borrowings and lending of the Authority. It is also responsible for managing the risks associated with these activities and the pursuit of optimum performance consistent with those risks.

In-line with the Local Government Act 2003, the Authority is required to produce an Annual Investment Strategy (AIS), to be agreed by the Authority prior to the start of each financial year. The AIS is required to set out the security of investments used by the Authority, analysed between Specified and Non-Specified investments and clarifying the use of credit ratings. It also has to set out the maximum periods for which funds may prudently be committed.

No borrowing has been required during 2017/18. Short term investments have ranged in size from £10,000 to £3 million; and from periods of one day to 12 months. Interest earned in 2017/18 will total £66,811.

The audit reviewed the procedures for the operation of the Treasury Management function to verify that:

- To verify that all relevant staff act prudently in compliance with appropriately documented management and regulatory requirements (including the treasury management framework and investment strategy, which should be kept under continual review and revised when required in line with regulations and guidance*) and that duties are conducted in a consistent, economic, efficient and effective manner.
- To verify that the reliability, integrity, confidentiality and security of the treasury management system and records is maintained through the reliable operation of the system and its interface to the main accounting systems.
- To verify that cash flow information is completely, accurately, validly and timely produced and secured to allow for effective monitoring and decision making in line with the investment strategy and regulatory requirements.
- To verify that available funds are completely, accurately, validly and timely placed with fund managers / financial institutions / the Debt Management Office (DMO); and that funds are safeguarded in line with the investment strategy, scheme of delegation and regulatory requirements.
- To verify that treasury management information regarding investments and borrowing is completely, accurately, validly and timely produced and secured to allow for effective monitoring, decision making and reporting in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability in line with management and regulatory requirements.

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
1	<p>The Director of Finance & Resources should review the Treasury Management Policy and Procedures. The tracked changes in the current document should be finalised if applicable.</p> <p>The Director of Finance & Resources should record the latest review date on the Treasury Systems document. The Authority could consider amending the review period to match the Treasury Management Policy, in requiring review either every five years or in light of significant changes, whichever is sooner.</p>	3	The Director of Finance & Resources	30/09/19	Agreed

Treasury Management (Trust)

The Treasury Management function is responsible for the management of the Trust's cash flows, borrowings and lending. It is also responsible for managing the risks associated with these activities and the pursuit of optimum performance consistent with those risks.

The audit reviewed the procedures for the operation of the Treasury Management function to verify that:

- To verify that all relevant staff act prudently in compliance with appropriately documented management and regulatory requirements (including the treasury management framework and investment strategy, which should be kept under continual review and revised when required in line with regulations and guidance*) and that duties are conducted in a consistent, economic, efficient and effective manner.
- To verify that the reliability, integrity, confidentiality and security of the treasury management system and records is maintained through the reliable operation of the system and its interface to the main accounting systems.
- To verify that cash flow information is completely, accurately, validly and timely produced and secured to allow for effective monitoring and decision making in line with the investment strategy and regulatory requirements.
- To verify that available funds are completely, accurately, validly and timely placed with fund managers / financial institutions / the Debt Management Office (DMO); and that funds are safeguarded in line with the investment strategy, scheme of delegation and regulatory requirements.
- To verify that treasury management information regarding investments and borrowing is completely, accurately, validly and timely produced and secured to allow for effective monitoring, decision making and reporting in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability in line with management and regulatory requirements.

We were unable to provide assurance that the objectives with regards Treasury Management are being met currently. There are gaps in the governance arrangements and non-compliance with approved financial regulations.

The main risk is the opportunity cost of not ensuring an investment strategy exists to maximise the returns to the organisation. Other risks of investing are not incurred by the current approach of keeping the money in a higher interest account where it is accessible if needed. Management will consider all risks when devising a strategy and the Board will review all risks when approving the strategy.

It is suggested that the action to devise a strategy for the Trust which can be approved by the Board and implemented by the Officers is progressed, ready for the new financial year. The Financial Regulations should be reviewed to ensure they align to the requirements of the Strategy and governance arrangements outlined within it.

It is noted that there are plans for the new Head of Finance that is joining the Trust to take forward the Treasury Management function.

An audit to test compliance with the new arrangements will be considered for 2019/20 as part of the risk based audit planning process.

Budgetary Control (Authority)

The Budgetary Control function is responsible for the management of budget setting and monitoring processes at the Authority. It is also responsible for managing the risks associated with these budgetary control activities. Following agreement by the Full Authority on 18 January 2018, elected Members drawn from across the region approved a levy decrease of 6% for 2018/19. This represents a continuation of a long-term objective to reduce the levy. The total



amount to be raised by the levy for 2018/19 is £9.57 million. The Authority budget is produced with reference to strategies and as part of long-term budget-planning.

The audit reviewed the procedures for the operation of the Budgetary Control function to verify that:

- Relevant staff act in compliance with appropriately documented management and regulatory requirements and that duties are conducted in a consistent, economic, efficient and effective manner.
- Budgets are set and funds allocated so as to achieve the strategic and operational objectives.
- Approved budgets are completely, accurately, validly and timely communicated and loaded onto the financial management system to allow effective monitoring by budget holders.
- Budgets are regularly monitored and variances analysed and communicated so as to minimise the risk of budget under/overspend.
- Budget alterations and virements are completely, accurately and validly processed in a timely manner.
- Budget information is completely, accurately, validly and timely produced and secured to allow for effective monitoring, decision making and reporting in line with management and regulatory requirements as part of a comprehensive performance management system.

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
1	The Authority should consider establishing a formal review deadline for key documents such as the Financial Regulations in order to maintain their accuracy and relevance.	3	Director of Finance	March 2020	There is an annual check made on Financial Regulations (FR) to ensure procurement rules and other key areas are up-to-date. This is a quick look see exercise and where no changes are required the FR remain as approved. A more fundamental review will be carried out in the next 12-18 months as one of the key influences could be the outcome of Brexit impacting on areas like procurement.
2	The Authority should periodically review procedure notes documenting the process for checking the budget and uploading figures to the e-Financials system.	3	Chief Accountant	April 2019	Budgets can be loaded manually as a backup. However training to Finance Support Staff will be given alongside procedure notes to ensure there is sufficient back-up
3	The Authority should consider defining budget holder training/guidance for their	3	Chief Accountant/Senio	September 2019	Will include budget management training alongside e-fin training and will incorporate this as part of

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
4	<p>role in the setting and monitoring of budgets. This should be provided for staff who are new to a budget holding post, and considered for periodic refreshment in response to significant changes in process.</p> <p>A log should be kept of budget holders to confirm that they have the skills to manage their responsibilities.</p> <p>Where budget holders do not explain significant variances, this should be followed up by reviewers in order to identify whether further actions are required.</p> <p>Where an issue is longstanding, the cause and any remedial actions should be briefly recapped in successive monitoring reports to prevent the appearance of unexplained variances.</p>	2	Director of Finance	January 2019	<p>induction process to new staff</p> <p>Will formally remind budget holders to ensure that explanations for variances are given each and every month as part of the budgetary monitoring process</p>

Budgetary Control (Trust)

The Budgetary Control function is responsible for the management of budget setting and monitoring processes at the Trust. The Trust agrees an annual budget covering core services and individual venue budgets.

The audit reviewed the procedures for the operation of the Budgetary Control function to verify that:

- Budget managers are only responsible for income and expenditure that they can influence.
- There is a nominated budget managed for each budget heading.
- Budget managers understand their financial responsibilities.
- Budget managers are appropriately trained to carry out their budget responsibilities.

- Budgets are regularly monitored and variances analysed and communicated so as to minimise the risk of budget under/overspend.
- Analysis of spend over the year is completed to identify spend above the profiled expenditure levels.
- Budget plans are integrated into service planning so that budget plans are supported by financial and non-financial performance measures.
- Staff requirements and costs are forecast.
- Staff numbers are controlled to a level that can be funded within the approved budget.
- It is immediately flagged if the staffing budget is likely to be materially under of overspent.
- Virements are completely, accurately and validly processed in a timely manner. Approval of virements is in-line with the Scheme of Delegation.
- Fortuitous savings or additional income exceeding £50,000 is not used for virement purposes instead a report is made to the Board for their consideration of how the additional monies are to be used.
- Year-end balances are carried forward in accordance with the guidelines set by the Board.

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
1	The Trust should carry out an annual review of the Financial Regulations in order to ensure that information remains accurate and provides sufficient detail, and record this review, including where no changes have been deemed necessary. Interim updates should also take place to make in-year amendments where changes become apparent.	3	Director of Business Support / Head of Finance	Director of Business Support / Head of Finance	The Financial Regulations will be formally reviewed by the new Head of Finance by September 2019
2	Where budget monitoring reports are returned without explanation for variances in excess of the 5% tolerance Finance should request explanation, or if the reason is already known or non-applicable, this should be entered to provide a record of the check, and to provide assurance that the actions being taken are satisfactory.	2	Head of Finance	31/03/2019	Budget holders to be reminded of need to give an explanation for variances in excess of 5% Finance to monitor returns and request any missing explanations

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
3	<p>The Trust should consider discussing key budget lines with budget holders when the budgets are set, and tailoring variance tolerance in accordance with the expected variability of each area, and the overall impact on the budget.</p> <p>Tolerance could then be broadened or narrowed depending on the importance of each budget line.</p> <p>Finance could consider including greater detail of which variances might require additional commentary on expected outturn.</p>	3	n/a	n/a	Disagreed. The Trust discussed with the Auditor that they did not want to increase tolerances on budgets but rather reduce all tolerances in line with the new approach adopted to budgetary control which related to the introduction of a Management Accountant.
4	<p>Records should be kept documenting all proposed changes to draft budgets, their rationale, and either approval or the reasons for rejection of said proposals.</p>	3	Head of Finance	31/12/19	Records will be kept at budget meetings, documenting changes to draft budgets – this will be for next year's budget setting process in November / December 2019

Performance Management of Commercial Activities

The Performance management approach was discussed with key Trust Officers based at Myddelton House, as well as with Venue Managers.

The audit reviewed the procedures for the operation of the Performance Management function to verify that:

- Roles and responsibilities with regard to the performance management of commercial activities are defined. Staff are fully aware of their responsibilities and their performance is measured against the achievement of their specific targets.
- Staff training has been completed by the Venue Managers on stock control processes and the monitoring of gross and net profit to activities / venues.
- Training needs of Venue Managers are monitored over time and action taken where training needs are identified.
- Gross profit for stock items is monitored, at the individual venues, on a consistent basis and performance against targets is monitored. Action plans are put in place where performance is below target and responsibility for this is assigned with progress monitored.
- Stock turnover, at each of the venues, is monitored and slow moving items are reviewed.

- Wastage levels, at each of the venues, is monitored on an ongoing basis with reviews completed where wastage is higher than expected.
- Gross and net profit for activities / venues is monitored, at the individual venues, on a consistent basis and performance against targets is monitored. Action plans are put in place where performance is below target and responsibility for this is assigned with progress monitored.
- Venue user numbers / demographics are monitored on an ongoing basis and this is used to inform the marketing strategy for each venue.
- The pricing structure is reviewed on a regular basis and analysis completed to ensure that prices are appropriate / in-line with market trends.
- Costs are monitored on an ongoing basis and comparisons with other venues undertaken. Processes at the venues are reviewed with areas of good practice being identified and disseminated across the venues.
- Staff processes are examined to ensure optimal usage of staff resources.
- Key Performance Indicators are in place for each of the venues and targets in place are monitored on an ongoing basis to ensure that they are appropriate / challenging.
- Performance across the venues is monitored and comparisons drawn. Areas of good practice are identified and put in place across all venues where appropriate.
- Progress against action plans at each of the venues is monitored regularly.

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
1	<p>The Trust should produce a policy/procedure document for the benefit of officers setting out those processes which are required as well as any that may be beneficial to consider. This could include:</p> <ul style="list-style-type: none"> • Budget monitoring; • Cost/profitability analysis for activities; • Usage/customer analysis; • Service Improvement Plans and actions; • Stock Turnover; • Development of Key Performance Indicators; and 	2	Performance & Information Manager	30/09/19	Agreed

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
	<ul style="list-style-type: none"> Any required training. <p>Venue management should be requested to observe this policy, and reflect any additional or amended approaches in their local procedures.</p>				
2	The Trust should review the Storage & Stock Control Procedure and make any amendments necessary to ensure that this reflects objectives in relation to stock management and performance reviews.	2	Performance & Information Manager	30/09/2019	Procedure will be reviewed – new Quality Officer when in post
3	The Trust should consider specifying key areas of performance management in which Venue Managers/budget holders should be expected to develop/maintain their skills and knowledge, and maintain a training record/programme in order to ensure that up-to-date processes are understood and applied.	2	Learning & Development Business Partner	30/09/2019	Further roll out of the management development training modules for: <ul style="list-style-type: none"> Budget Management Performance and Improvement
4	The Trust should determine how Venners reports should be used centrally to monitor completion of recommended actions, or make use of wider impressions and conclusions to improve performance across the Trust.	2	TBC	30/09/2019	Approach to central monitoring of reports to be agreed and implemented
5	The Trust should consider whether it would be beneficial to set venue-specific target profit margins to measure against instead of the current 60% and 40% targets. Target profit margin should be included in Venners reports alongside previous performance.	2	Performance & Information Manager	30/09/2019	To be reviewed as part of the review of the Storage and Stock Control procedure
6	The Trust should include reference to desired wastage recording and review	2	Performance & Information	30/09/2019	To be reviewed as part of the review of the Storage



Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
7	<p>policy as part of their policy on stock control. They should also consider providing venues with a template wastage log setting out required fields to be completed when identifying, logging, and reviewing the reasons for waste.</p> <p>The Trust should include greater detail in the Storage and Stock Control Policy to set out what Venue Managers are expected to do in order to manage stock which is not subject to Venners' review.</p>	2	<p>Manager</p> <p>Performance & Information Manager</p>	30/09/2019	<p>and Stock Control procedure</p> <p>To be reviewed as part of the review of the Storage and Stock Control procedure</p>

Spot Check – Athletics Centre

Spot check undertaken at the Athletics Centre to assess compliance with the Financial Regulations and Operating Procedures.

The spot check was completed to verify that:

- Training and guidance is provided to staff to ensure they understand the process for cash handling and banking.
- Cash is always checked and re-counted by a second officer;
- Explanations are recorded for variances in cash collected;
- Takings are held securely, with levels of cash held recorded and monitored; and
- Banking is undertaken frequently.
- For advanced bookings at the facility, invoices are required to be raised and issued to the customer in advance of facilities being used by customers.
- Quotations are obtained for purchases exceeding £1,000; and
- Purchase orders are raised in a timely manner.
- Formal records of all stock are held and stock checks are undertaken regularly; and
- Reconciliations are undertaken between stock sold and income received.

- Deposits are obtained across sites for all relevant activities.
- Vouchers and staff discounts are controlled; with controls in place to monitor and account for their use.
- Determine and document the specific controls in place in relation to each of the areas;
- Assess the adequacy of these controls in relation to the risks identified; and
- Carry out sample testing, where appropriate, of the existing controls to determine their effectiveness.

Ref	Recommendation	Priority	Responsible officer	Target Implementation Date	Management Response
1	Management should review the NOPs to ensure that they are accurate and complete. An overall review of NOPs across the venues should be undertaken to ensure that they are all comprehensive and that standard requirements are detailed e.g. the threshold for cash variances that need investigation and the collection and management of deposits.	N/A	M Bond, Centre Manager	January 2019	Full review in progress
2	Management should ensure that till receipts are signed by both officers completing the cash up. Management should ensure reasons for variances are recorded on the till receipt, particularly where the variance was not fully resolved.	N/A	M Bond, Centre Manager	Completed November 2018	7 All DM's reminded of requirements when cashing up
3	Management should ensure that till refunds receipts are retained in all cases where a refund is completed. These should contain clear reasons for refunds and should have the signature of the authoriser.	N/A	M Bond, Centre Manager	Completed November 2018	7 All DM's informed of requirements
4	Staff should be reminded of the need to ensure that the collection receipts are signed by both	N/A	M Bond, Centre	Completed November 2018	7 All DM's reminded of requirements

NOTES - If we can get info we will put in status of any listed where the date has passed.

Ref	Recommendation	Priority	Responsible officer	Target Implementation Date	Management Response
	parties and that they are retained with the weekly return.		Manager		
5	Staff should be reminded of the need to sign the Drop Safe Record Sheet when cash is collected and banked.	N/A	M Bond, Centre Manager	November 2018	Staff responsible for Banking informed
6	Staff should ensure that the appropriate number of quotes are obtained for high-value purchases. Where it is determined that obtaining alternative quotes is not possible, a waiver should be obtained from the Finance team.	N/A	M Bond, Centre Manager	Completed November 2018	7 Staff reminded of requirements
7	The Venue Manager should liaise with the Finance Team to determine whether it is possible to generate a report from e-finance to show all purchase orders that have not been raised promptly (e.g. after the invoice date). The report should be reviewed and any performance issues should be discussed with the relevant staff.	N/A	M Bond, Centre Manager	December 2019	M Bond to liaises with finance
8	Staff should contact Venners to seek confirmation of whether more recent stock reports are available, and if not, to request that the agreed visiting frequency be met.	N/A	M Bond, Centre Manager	Completed 14 November 2018	M Bond to contact Venners
9	A record of merchandise item should be kept with items currently in stock and any purchases made. A reconciliation of this record with the income from merchandise (as per the income report) should be undertaken regularly to	N/A	M Bond, Centre Manager	January 2019	Stock Taking system to be initiated

Ref	Recommendation	Priority	Responsible officer	Target Implementation Date	Management Response
	confirm all stock has been accounted for.				
10	A section on the collection and management of N/A deposits should be included in the site's NOPS.	N/A	M Bond, Centre Manager	February 2019	Deposits to be added to the local booking procedures
11	The information on the website should be updated so that it shows that the discount is for membership and not for casual use.	N/A	J Wright, Assistant Manager	December 2018	Web site to be amended

Spot Check – Ice Centre

Spot check undertaken at the Ice Centre to assess compliance with the Financial Regulations and Operating Procedures. The areas covered were the same as for the Athletics Centre (detailed above).

Ref	Recommendation	Priority	Responsible officer	Target Implementation Date	Management response
1	Staff should be reminded to ensure that till receipts are signed by both officers completing the cash up.	N/A	Till Clerk & Duty Manager	Immediate implementation	All staff have been reminded of this.
2	Management should ensure that all till refunds receipts contain clear reasons for refunds and should have the signature of the authoriser.	N/A	Till Clerk & Duty Manager	Immediate implementation	All staff have been reminded of this. With the exception of £5 deposits which are refunded on skate aid hire.
3	Staff should ensure that all collection receipts are signed by both parties.	N/A	Till Clerk & Duty Manager	Immediate implementation	All staff have been reminded of this.



Ref	Recommendation	Priority	Responsible officer	Target Implementation Date	Management response
	Management should ensure that the paying slip reference number is correctly recorded on the weekly return.				
4	Staff should be reminded of the need to sign the Drop Safe Record Sheet when cash is collected and banked.	N/A	Till Clerk & Duty Manager	Immediate implementation	All staff have been reminded of this.
5	Staff should ensure that the appropriate number of quotes are obtained for high-value purchases. Where it is determined that obtaining alternative quotes is not possible, a waiver should be obtained from the Finance team.	N/A	Managers	Immediate implementation	All staff have been reminded of this.
6	The Venue Manager should liaise with the Finance Team to determine whether it is possible to generate a report from e-finance to show all purchase orders that have not been raised promptly (e.g. after the invoice date). The report should be reviewed and any performance issues should be discussed with the relevant staff.	N/A	Manager	Ongoing	Is being discussed with Finance Department

Spot Check – White Water Centre
 Spot check undertaken at the White Water Centre to assess compliance with the Financial Regulations and Operating Procedures.
 The areas covered were the same as for the Athletics Centre (detailed above).

Ref	Recommendation	Priority	Responsible Officer	Deadline for Implementation	Management Response
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Ref	Recommendation	Priority	Responsible Officer	Deadline for Implementation	Management Response
1	Management should amend the training matrices so that non-applicable training items are clear, allowing easy identification of outstanding training needs.	N/A	Completed	N/A --completed	Actioned.
2	Reviewers should confirm that the Clarity till reconciliation information agrees to the information recorded on the White Water daily cashing up slips and that any variances are correctly highlighted and explained.	N/A	Management Support Officer	Completed ongoing review	Any discrepancies and the reasons for these are recorded on the weekly banking sheet. One was found which was down to human error.
3	The venue should consider retaining individual receipts for refunds of higher value, to document the reasons for the refund, original transaction details where possible, and individual approval. This should be set out in the procedure.	N/A	Head of Reception and Management Support Officer	of 7.01.19 and ongoing	Moving forward will do this for anything over £50 in one transaction.
4	Duty Managers should ensure that all BDI collection receipts are signed by both parties.	N/A	Completed	N/A – completed	Also, the reason for all MOP's and refunds will be recorded on a spreadsheet. This was reiterated to DM's in their last meeting.
5	Regular efforts should be made to update the Clarity booking record and invoice monitoring spreadsheet for upcoming bookings. Where an invoice has not been recorded as paid by the week of the booking, efforts should be made to recover the debt and, if this is not possible, reception staff should be made aware that the booking is unpaid and consider refusing use of services.	N/A	Corporate Campaigns Manager	07.01.18 and then ongoing.	This needs to be updated weekly by a member of the team who has access to this information.
6	Staff should ensure that the appropriate number	N/A	General	review is ongoing	Of the three invoices checked, one was for



Ref	Recommendation	Priority	Responsible Officer	Deadline for Implementation	Management Response
	of quotes are obtained for high-value purchases. Where it is determined that obtaining alternative quotes is not possible, a waiver should be obtained from the Finance team.		Manager Management Support Officer		Finders who have a shop on site and offer us competitive prices and discounts and one had 2 quotes. The 2 quotes were not on the file with the invoice, but were produced before the Auditor left. In future all quotes will be filed with the final invoice.
7	Purchase orders should be raised before all expenditure is incurred. Where this is not possible, for instance due to emergency/short-notice, the reason for this should be recorded.	N/A	Management Support Officers	N/A –completed	Moving forward any PO's that are raised after the invoices are received will be recorded on the Purchase order spreadsheet giving the reason why.

Payment Card Industry Data Security Standard (PCI-DSS) Compliance Review

The Payment Card Industry Data Security Standard (PCI DSS) was developed by the PCI Security Standards Council comprising the main payment card suppliers (e.g. Visa, MasterCard, and American Express). It sought to establish a baseline of controls that vendors accepting payment cards should have in place in order to limit fraud and theft. The PCI DSS is a set of comprehensive requirements and standards for enhancing data security in respect of card holder information where payments for services are made via debit or credit card.

In so far as records and information are available to us, we will seek to ascertain that the following processes have been considered or are in progress in relation to the following areas:

Area 1 - Firewall Configuration

Establish and implement firewall and router configuration standards that ensure connections are restricted between untrusted networks and system components in the cardholder data environment is implemented. For firewall functionality to be effective, it must be properly configured to control and/or limit traffic into and out of the entity's network.

Area 2 - System Settings

configuration settings the extent to which changes have been made to vendor default settings, account names, and passwords to compromise operating system software, applications, and the systems on which they are installed. The default password has been changed to a strong unique password and disabled to prevent a malicious individual from re-enabling the account and gaining access with the default password.

Area 3 - Stored Data Protection



The extent to which a formal data retention policy identifies what data needs to be retained, and where that data resides so it can be securely destroyed or deleted as soon as it is no longer needed.

Area 4 - Transmitted Data Protection

Use strong cryptography and security protocols (for example, TLS, IPSEC, SSH, etc.) to safeguard sensitive cardholder data during transmission over open, public networks, including the following:

- Only trusted keys and certificates are accepted.
- The protocol in use only supports secure versions or configurations.
- The encryption strength is appropriate for the encryption methodology in use.

Area 5 - Application and Systems Security

Determine the extent to which all systems are protected against malware and regularly update anti-virus software or programs by discussion and examination of evidence.

Area 6 - Access Restrictions

Examine written policy for access control, and verify that they incorporates the following:

- Defining access needs and privilege assignments for each role.
- Restriction of access to privileged user IDs to least privileges necessary to perform job responsibilities.
- Assignment of access based on individual personnel's job classification and function.
- Documented approval (electronically or in writing) by authorized parties for all access, including listing of specific privileges approved.

Area 7 - Account Security

The extent to which proper user identification management has been established for non-consumer users and administrators on all system components as follows:

- All users are assigned a unique ID
- effective joiners and leaver procedures are in place

Area 8 - Physical Access Controls

The extent to which the risk of unauthorised access to cardholder data is minimised by appropriate physical security.

Area 9 - Monitoring and Testing

The extent to which regular pen tests are conducted

Area 10 - Security Policies and Procedures

The extent to which an effective security policy has been established, published, maintained and disseminated.

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
1	Whilst it has been acknowledged that the Policy is reviewed annually as part of the annual assessment process, management should ensure that the Information Security (Electronic Payment) Policy document control and version history are updated in line with the review and that dates remain valid.	3	TBC	31/03/19	The policy will be reviewed, updated and published.

Clarity Application Audit

The purpose of the audit was to review the procedures in operation to provide assurance that the key risks and controls over the internal control environment are addressed, in relation to the Clarity Application.

The Clarity application has multiple modules dealing with, for example, membership, direct debits, and invoice processing, as well as booking arrangements. It is an electronic Point of Sale (ePOS) system in use at venues across the Trust. The application is provided and hosted externally by OMNICO. First line technical support is provided by IT and first line application support is provided by the Performance & Information Management team, whilst second line technical system support is provided by OMNICO.

The audit reviewed the procedures and processes for the operation of the Clarity application function to verify that:

- Arrangements are in place, appropriately assigned and defined. The system is adequately licensed and that users are provided with sufficient training on the correct use of the application
- Access to the application and its database is restricted and user activity can be monitored.
- Access is restricted per user to an extent by which they are only able to view, edit, or otherwise use information or assets they are permitted to as part of their role.
- Data processed by the application is accurate, complete and that there are adequate reconciliation procedures in place. Information input on to the application is accurate, complete and that the application is configured to report on erroneous data prior to processing.
- Information input on to the application is accurate, complete and that the application is configured to report on erroneous data prior to processing.
- Output reports generated by the application are adequate and that output generation is controlled.
- Changes to the application follow an established procedure and any changes are reviewed and tested before being applied to the application's live environment.
- Arrangements are in place with the application's supplier, which is monitored on a routine basis.

Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
1	<p>It is recommended that the following password parameter settings are amended to comply with the Trust's Password Policy and leading best practice values, as follows:</p> <ul style="list-style-type: none"> Minimum password length should be set to at least 8 characters; Password history should be set to at least 10 previous passwords; <p>The Trust should also consider making further enquiries with the software provider for Clarity to establish if the following additional controls could be built into the application:</p> <ul style="list-style-type: none"> Password lockout threshold should be set to a maximum of 5 attempts; and <p>Controlled log off for absence from workstation should be set on the application.</p>	2	Performance & Information Manager	3/10/19	We have updated the parameter settings to increase the minimum password length to 8 characters and the password history has been set so that a password cannot be re-used for 1 year.
2	<p>Management should consider implementing a formal scheduled review of key user functions, such as the users with administrator privileges, expert users and users with manager access and above. This, should be undertaken at least annually.</p> <p>However dependant on the resource requirements involved consideration should be given to a rolling schedule of review or on a sample basis.</p>	2	Performance & Information Manager	30/11/18	Agreed. We have arranged a project meeting with Omnico for 7 th November.
3	The application interfaces (data flows)	3	Performance &	31/12/18	A document will be written up that explains the



Ref	Recommendation	Priority	Responsible Officer	Target Implementation Date	Management Response
	<p>should be formally documented. Interface documents should identify all data files that are either manually or automatically:</p> <ul style="list-style-type: none"> • extracted from the application for upload into another system (outgoing interface); and • Imported into the application from another system (incoming interface). 		Information Manager		Interfaces and outlines the processes involved.

Follow-Up of Previously Raised Recommendations

As part of the Internal Audit Plan for 2018/19, we followed-up a number of recommendations previously raised in 2017/18 and agreed with management. We also followed up the remaining recommendations that were outstanding from 2016/17.

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.

Key Issues to Bring to the Attention of the Finance and Audit Committee

- 84% (67) of recommendations have been implemented and verified.
- 1% (1) of recommendations had not reached their due date.
- 15% (12) of recommendations have revised due dates.

Audits that have been given an audit opinion of Limited Assurance are annotated in the Summary of Recommendations table with an asterisk *. Although each recommendation is provided with a priority level, for ease of reference, where one or more of the recommendations that have not been verified as implemented are a priority 1, the number agreed column is also marked with a hash (#). There are currently no priority 1 recommendations outstanding. Details of the recommendations that are outstanding past their due dates are given below.

Audit Name	Number Agreed	Internal Audit			Responsibility		
		Implemented	Implemented to be verified	Authority / Trust	Due date not reached	Revised Due Date	Outstanding past due date
2016/17							
Hayes Hill (Authority)	6	6					
Sewardstone Campsite	9	9					
Riding Centre (Authority)	9	9					

Audit Name	Number Agreed	Responsibility				Outstanding past due date
		Internal Audit		Authority / Trust		
		Implemented	Implemented to be verified	Due date not reached	Revised Due Date	
Sickness Absence (Authority / Trust)	3	2			1	
2017/18						
Debt Management (Authority / Trust)	1	1				
Cyber Security* (Authority / Trust)	12	9#		1	2	
Payroll (Authority / Trust)	2	2				
Analysis of High Risk Transactions Testing and Key Control (Authority / Trust)	8	4			4	
Facilities Spot Check - Dobbs Weir Campsite (Trust)	5	4			1	
Facilities Spot Check - Springfield Marina (Trust)	3	2			1	
Facilities Spot Check - Stanstead Marina (Trust)	4	1			3	
Facilities Spot Check - Sewardstone Campsite (Trust)	5	5				
Dobbs Weir Final Phase Expansion Plan (Trust)	13	13				

Audit Name	Number Agreed	Responsibility				
		Internal Audit		Authority / Trust		Outstanding past due date
		Implemented	Implemented to be verified	Due date not reached	Revised Due Date	
Total:	80	67	0	1	12	0

Details of Revised Implementation Dates

Sickness Absence 2016/17

- Head of HR confirmed that the procedures relating to return to work interviews had been updated and that managers had received informal updates/training on the requirement for these to be completed where sickness trigger points had been reached. An e-learning module is to be developed but this will not be completed until mid-2019. Revised Due Date: September 2019.

Cyber Security 2017/18

- Internet access required for admin accounts in order to perform IT related tasks. To be added to Risk Register. Revised Due Date: October 2019.
- Priority 1 recommendation that the unsupported operating system should be upgraded to a supported version. If the system cannot be upgraded, it should be segregated from the network with no Internet access. However, confirmed that the recommendation is on hold until LSC has been awarded. Revised Due Date: March 2020.

Analysis of High Risk Transactions 2017/18

- Process for agreeing, managing and reconciling third party arrangements, bookings and payments was to be reviewed. However, there has been no progress on developing Clarity. New Regional Sales Manager in post is reviewing 3rd party agreements and as part of this they will consider the recommendation to reconcile all bookings shown as £0. Revised Due Date: April 2020.
- Recommendation to reconcile any bookings made outside of Clarity is currently on hold as the new LSC identifies requirements around tracking and reporting specific bookings. Need to put these bookings onto Clarity, but must design the booking process to capture the required information. Will be progressed once outcome of contract known. Revised Due Date: April 2020.
- Clarity 'Manager buttons' are to be refined in order to allow clear reporting of transactions, with revised procedures/guidance to be circulated to all venues so that the use of the 'Management button' is clear. Confirmed that this will be progressed once outcome of contract known. Revised Due Date: April 2020.
- The existence and purpose of the Cascade refund reports was to be publicised, and venues worked with to improve reporting of negative transactions in order to provide management with information to monitor the nature and amount of outgoing payments. Confirmed that this will be progressed once outcome of contract known. Revised Due Date: April 2020.

Facilities Spot Check – Dobbs Weir Campsite 2017/18



- Official web link to the discounts page does not cover Dobbs Weir, however, the Campsite Manager has agreed that the same level of discounts will apply as at the other camping sites. The NOP is in the process of being updated. Revised Due Date: June 2019.

Facilities Spot Check – Springfield Marina 2017/18

- Cybertill has only been implemented in the chandlery opened in January. The workshop side has not been implemented yet. Training booked for the 13th June at Stanstead. We are waiting for a date from Cybertill to fully implement the fill in the reception. Chased again today, waiting to hear back. Confirmed that Cybertill has only been implemented in the chandlery opened in January. The workshop side has not been implemented yet and the date from Cybertill to fully implement the fill in the Reception is awaited. Revised Due Date: June 2019.

Facilities Spot Check – Stanstead Marina 2017/18





- Recommendation that once Cybertill is implemented, reconciliation should be undertaken between the jobs recorded and invoice issued on Cybertill against the income actually received and recorded on the weekly return or on Clarity. Confirmed that training on Cybertill Workshop programme booked for end of Quarter 1 2019. Revised Due Date: June 2019.
- Stocktake actioned by independent company, Venners 5/6 April 2019 and all stock levels are being updated ASAP. Going forward Annual stock checks as now and also regular monthly sampling by Manager. Revised Due Date: June 2019.
- 10% discount for all Vibrant Staff on all items in the Chandlery except all fuels including gas, diesel, coal and logs. Awaiting SMT agreement for inclusion on intranet. Revised Due Date: June 2019.



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
DRAFT Internal Audit Plan 2019/20

May 2019

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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 2019/20.

The Plan has been formulated in conjunction with the Director of Finance & Resources for the Authority and the Director of Business Services 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 2019/20 is 163 - this consistent with the agreed days for the previous year (2018/19) and is split as follows:

Input Type	2019/20 Days	2018/19 Days
Financial Systems, General Audit and Advisory	102	72
IT Audit	22	22
Contract Audit	12	19
Proactive Counter Fraud	-	10
Follow-Up	10	10
Management and Consultation	17	17
Whistleblowing Investigation	-	12
Total	163	162

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 Services (Trust) on an on-going basis.

2. Internal Audit Plan 2019/20

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, Debtors, Cash and Banking)	26	<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 has been as follows:</p> <ul style="list-style-type: none"> • 2018/19 - Treasury Management and Budgetary Control • 2017/18 – Debt Management, Payroll and Use of Credit Cards • 2016/17 - Creditors, Debtors, Cash and Banking, 	Simon Sheldon - Director of Finance & Resources (Authority) Catherine Cassidy – Head of Finance (Trust)
Contract Management	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 contractor's performance, escalation process, remedies and renewal/extension process.</p>	Nigel Foxall - Director of Business Services (Trust) Simon Sheldon - Director of Finance & Resources (Authority)
Procurement Audit	12	<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 of works. 	Nigel Foxall - Director of Business Services (Trust) Simon Sheldon - Director of Finance & Resources (Authority)
HR On-boarding and Off-boarding	10	<p>Potential areas include:</p> <ul style="list-style-type: none"> • Induction process; 	Nigel Foxall - Director of Business Services



Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Volunteer Management	8	<ul style="list-style-type: none"> • Probationary periods; • Supply and return of IT equipment; • Supply and return of ID badges and access cards; and • Work handovers. <p>Potential areas include:</p> <ul style="list-style-type: none"> • Identification of volunteer opportunities; • Induction and training; • Expense payments; • Retention; and • Performance Monitoring. 	<p>(Trust)</p> <p>Simon Sheldon - Director of Finance & Resources (Authority)</p> <p>Nigel Foxall - Director of Business Services (Trust)</p> <p>Simon Sheldon - Director of Finance & Resources (Authority)</p>
Marketing and Communication	8	<p>Potential areas include:</p> <ul style="list-style-type: none"> • Internal communication; • External communication and marketing; • Marketing strategy; • Branding; • Management reporting; and • Promotional vouchers. 	<p>Nigel Foxall - Director of Business Services (Trust)</p> <p>Stephen Bromberg Head of PR/Comms (Authority)</p>
Change Management	10	<p>Due to the number of changes taking place and with the re-tender of the service provider contract an audit of Change Management would provide assurance as to the steps being taken to ensure a smooth transition.</p>	<p>Shaun Dawson Chief Executive Officer</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</p>	<p>Nigel Foxall - Director of Business Services (Trust)</p> <p>Simon Sheldon - Director of Finance & Resources (Authority)</p>



Audit	Planned Days	Proposed Coverage	Lead Contact(s)
		<p>part of their day-to-day operations. During 2019/20, we will assess whether the risk management processes for both the Authority and Trust are operating efficiently and effectively.</p>	
Parkland & Venues			
Facilities - Unannounced Spot Check, TBC	6	As requested by management, we will complete a spot check to assess the venue's compliance with policies and procedures relating to invoicing, income & cash handling, purchases, stock management and vouchers & discounts.	Nigel Foxall - Director of Business Services (Trust)
Facilities - Unannounced Spot Check, TBC	6	As requested by management, we will complete a spot check to assess the venue's compliance with policies and procedures relating to invoicing, income & cash handling, purchases, stock management and vouchers & discounts.	Nigel Foxall - Director of Business Services (Trust)
Facilities - Unannounced Spot Check, TBC	6	As requested by management, we will complete a spot check to assess the venue's compliance with policies and procedures relating to invoicing, income & cash handling, purchases, stock management and vouchers & discounts.	Nigel Foxall - Director of Business Services (Trust)
IT Audit			
Cyber Security	10	<p>All organisations as advocated by the UK Government have a responsibility to ensure that Cyber Security, which is regarded as one of the most serious 'Tier One' national security challenges, is on the corporate and ICT agenda. Furthermore, arrangements are in place to respond to the rapid growth and change in both the sophistication and intensity of cyber attacks. There are many motives for attacking an organisation, such as, political, disruption, theft of personal data and multiple routes of attack which can directly impact staff, services and stakeholders.</p> <p>The purpose of this review is to assess the adequacy and effectiveness of the management control framework established and applied to the corporate information assets in order to mitigate the risk from common internet based threats (Cyber security attacks), within the context of HM Government 5 key steps to Cyber Security.</p>	Simon Clark - IT Manager (Authority) Michael Sterry - Performance & Information Manager (Trust)



Audit	Planned Days	Proposed Coverage	Lead Contact(s)
Business Continuity and Disaster Recovery	12	<p>The audit will look at the Organisation's business continuity arrangements. Business Continuity is the foundation which will help the Organisation recover from a disaster by ensuring measures are in place to facilitate the controlled restoration of services based on how the business has prioritised its service. Business Continuity concentrates on the user end of the recovery process and should be linked closely with disaster recovery planning.</p>	<p>Dan Buck Head of Sport & Leisure & Simon Clark - IT Manager (Authority) Nigel Foxall - Director of Business Services (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 2018/19 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
Management and Consultation	17	<p>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.</p>	N/A
Total	163		



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.

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