

Committee: AUDIT AND REVIEW
Date: 3 August 2007

Report: INTERNAL AUDIT REPORTS

Purpose of report

1. To present Members with the most recent reports from the Internal Audit Service.

Strategic Planning Framework

2. The information contained in this report is consistent with the Authority's approved and adopted strategic planning framework:

- ***Existing policies and strategies***

"each NPA is required to maintain an adequate and effective internal audit..."
(Financial Regulations, paragraph 17.1 (iv))

"The Internal Auditor shall determine the scope of any internal enquiries or investigations" (Financial Regulations, paragraph 17.6)

Internal Audit Reports: Summary

3. Since the papers were prepared for the last meeting of this Committee (9 February 2007), six Internal Audit review reports have been issued by the Internal Audit Service (for which the Authority contracts with North Yorkshire County Council).

4. The reports for these audits are attached as an **appendix**. In all but one area of these reports, the internal auditor has confirmed that the controls are 'good'. In this context Members should be aware that:

- the Internal Auditor only offers three 'grades' of opinion when judging the adequacy of control systems: good, satisfactory and weak, and that
- with the lowering of the materiality limit at which activities are selected for audit, many areas which had previously been too small to warrant audit attention are now being subject to regular review for the first time. So it is significant that such areas are not proving to be problematic, and this reflects well on the standard of controls that the Authority operates over its whole operations, rather than just those areas that had been the subject of past audit (and improvement) attention.

5. The audit opinions on the six systems that were audited are summarised in the table below.

Audit subject (& page numbers in this report)	Opinion on controls	Comment
Inventory and Asset Security (p3)	<ul style="list-style-type: none"> • Good 	
Human Resources and Payroll (p7)	<ul style="list-style-type: none"> • Good 	
Visitor Centres and Stock (p10)	<ul style="list-style-type: none"> • Good 	
Main accounting, budgetary control, Capital Accounting, Asset Registers, Treasury management and IT Controls (p15)	<ul style="list-style-type: none"> • Good (Main accounting, budgetary control, Capital Accounting, Asset Registers, Treasury management) • Satisfactory (IT Controls) 	The opinion recorded as 'Satisfactory' against IT Controls relates primarily to the need to undertake a 'live' test of the IT Contingency Plan. This test will be undertaken within the near future, and will be planned to minimise disruption to the Authority's operations
Car Park Income, planning Fees, Visitor Centre Income and Sundry Debtors (p21)	<ul style="list-style-type: none"> • Good 	
Creditors, Purchasing and Contracting (p26)	<ul style="list-style-type: none"> • Good 	

6. Ian Smithson of the NYCC Internal Audit Service will be available at the meeting to answer any questions on these reports that members may have.

RECOMMENDATION

7. Members are asked to note this report and the appended Internal Audit reports.

Richard Burnett
Head of Finance & resources

15 July 2007
 Background Documents: none

NORTH YORKSHIRE COUNTY COUNCIL

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	YORKSHIRE DALES NATIONAL PARK INVENTORY AND ASSET SECURITY
SENT TO:	AUDIT & REVIEW COMMITTEE CHIEF EXECUTIVE HEAD OF FINANCE & RESOURCES
CC:	TREASURER TO THE AUTHORITY

CONTENTS	Section
Introduction	1
Findings	2
Opinion	3
Recommendations	4

Jennifer Bonsell
Internal Audit Service
Central Finance Business Unit
County Hall
Northallerton DL7 8AL

5 April 2007

1.0 INTRODUCTION

- 1.1 The audit undertaken was a review of the procedures in operation for the inventory and asset security.

The inventory of assets is in three parts: office and kitchen equipment; workshop tools and machinery; and vehicles, including trailers. The office and kitchen equipment is used at the two offices, four visitor centres and one partnership centre. The tools and machinery are stored in the eight rangers' workshops. Pool cars are based at the two offices, and the other vehicles either accompany the rangers or are stored in the rangers' workshops.

For security, the highest value items in the inventories have been identified and marked with security tags, an ultra-violet pen or SmartWater.

Inventory and Asset Security Guidelines have been written and issued by the Finance Section, drawn to the attention of all staff and made available on the intranet.

- 1.2 The audit work was done in March 2007.
- 1.3 This report was issued on 5 April 2007.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

2.0 FINDINGS

	Summary Findings	<u>Risk</u>
2.01	Inventory and Asset Security Guidelines have been drawn up by the Finance Section and made available to all staff on the intranet. In addition, forms are available on the intranet for staff (budget managers, in particular) to notify the Finance Section of asset acquisitions, transfers and disposals so that the inventory can be updated.	Assets may be misappropriated or mislaid.
2.02	The inventory is in three parts, and, during the audit, a sample of items on each inventory was checked at the Bainbridge Office, the Dales Countryside Museum, the Bruntacres workshop (in Hawes) and the Aysgarth Visitor Centre. All inventory items in the sample were located with the exception of a computer monitor and a laser level.	
2.03	All items in the sample tested were marked as belonging to the Authority by one of the following: a security tag, an ultra-violet pen, and SmartWater solution.	

2.04	In addition to the testing of the sample of inventory items, at each location, a sample of visible assets was checked to ensure that all were on the inventory. One exception was found – a safe at Aysgarth Falls Visitor Centre – but this has now been added to the inventory.	Assets may not be recorded on the inventory.
2.05	The Finance Section have become aware that some items of IT equipment have been disposed of or written off without the Finance Section having been informed.	
2.06	The inventory contains no information about the source of finance or the purchase price of assets, although this information is required by the Inventory and Asset Security Guidelines.	The Inventory and Asset Security Guidelines are not being followed.

3.0 **OPINION**

3.1 The overall audit opinion of the controls evaluated is that they are **good**.

4.0 RECOMMENDATIONS

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
4.1	The assets not found in the sample tested should be located or written off.	Essential	2.02	Agreed	Irene Brannon	June 2007
4.2	All staff with responsibility for the acquisition, transfer or disposal of assets (i.e. budget managers) should have the Inventory and Asset Security Guidelines drawn to their attention again.	Essential	2.04	The Asset Security Guidelines will be brought to the attention of budget managers again, with a reminder of the importance of compliance with them.	Irene Brannon	June 2007
4.3	Budget Managers should comply with the Inventory and Asset Security Guidelines.	Essential	2.04	Agreed	Budget Managers	April 2007 onwards
4.4	As new assets are acquired, their purchase price and source of finance should be recorded in the inventory.	Important	2.06	This information is required on the Inventory Acquisition Form.	Budget Managers	April 2007 onwards
4.5	The Senior Finance Officer (SFO) should consider whether the next issue of the Guidelines should specify whose responsibility it is to notify the SFO of transfers and disposals (i.e. budget managers) and whether the Inventory Disposal form should make specific reference to the transfer of assets.	Useful	2.01 2.05	Financial Regulations state explicitly that the responsibility for the purchase, management and security of assets rests with budget managers, and as a result it is not considered essential that this is stated in the guidelines. However, this will be considered at the next review.	Irene Brannon	At next review

YORKSHIRE DALES NATIONAL PARK AUTHORITY

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	HUMAN RESOURCES AND PAYROLL
SENT TO:	AUDIT AND REVIEW COMMITTEE CHIEF EXECUTIVE DIRECTOR OF FINANCE AND RESOURCES
cc	TREASURER TO THE AUTHORITY

CONTENTS

Section

Introduction	1
Findings	2
Opinion	3
Recommendations	4

Internal Audit Service
Central Finance Business Unit
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Northallerton DL7 8AL

22 June 2007

1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards by the Audit Commission, The Internal Audit Service has been required to document all fundamental systems of the Yorkshire Dales National Park Authority. A fundamental system is defined as one in which transactions exceeding £145,000 or more were processed in a financial year. A sample of transactions for each fundamental system has been tested in line with key Control Schedules provided by the Audit Commission.
- 1.2 One of the fundamental systems identified relates to the appointment and payment of members of staff.
- 1.3 The audit work was undertaken during April 2007.
- 1.3 This report was issued on 22 June 2007.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

2.0 FINDINGS

	Summary Findings	<u>Risk</u>
2.01	<u>Segregation of Duties</u> The systems for preparing payroll and payment of employees demonstrate appropriate levels of segregation of duties.	
2.02	<u>Certification of Timesheets</u> The timesheets reviewed were all found to be correctly certified.	
2.03	<u>Updating of Main Accounting System</u> Suspense accounts are used for tax, pensions etc. These are prepared from information supplied from the payroll system. The suspense accounts were reviewed for one month and were found to have been reviewed and cleared correctly.	
2.04	<u>Payrates</u> A sample of employees rates of pay were tested and found to agree to the contract information held on personal files.	

2.05	<p><u>Personal Files</u></p> <p>Personal files were reviewed for all new starters in 2006/2007. They were all found to contain adequate evidence of identity, proof of qualifications were applicable, medical clearance, references and CRB clearance if appropriate. The checklist inside the file was correctly completed in all cases.</p>	
2.06	<p><u>Follow Up of Previous Recommendations</u></p> <p>All recommendations from the previous audit report have been implemented.</p>	

3.0 OPINION

3.1 The overall audit opinion is that the controls in the HR and Payroll systems are good.

4.0 RECOMMENDATIONS

4.1 There are no recommendations.

NORTH YORKSHIRE COUNTY COUNCIL

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	YORKSHIRE DALES NATIONAL PARK VISITOR CENTRES AND STOCK
SENT TO:	AUDIT & REVIEW COMMITTEE CHIEF EXECUTIVE HEAD OF FINANCE & RESOURCES
CC	TREASURER TO THE AUTHORITY

CONTENTS

Section

Introduction	1
Findings	2
Opinion	3
Recommendations	4

Ian Smithson
Internal Audit Service
Central Finance Business Unit
County Hall
Northallerton

18 January 2007

1.0 INTRODUCTION

- 1.1 The audit undertaken was a systems review of the financial procedures operated at the Horton Warehouse. The audit also included a review of the procedures operated for income, stock control and purchasing.
- 1.2 The warehouse at Horton acts as a central distribution point for the four visitor centres and one partnership centre operated by the Authority. Sales are also made to commercial operations in and around the National Park. The audit included reviews of the visitor centres at Hawes, Reeth and Grassington.
- 1.3 The audit work was undertaken during November and December 2006.
- 1.4 This report was issued on 18 January 2007.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on telephone number 01609 532739.

2.0 FINDINGS

	Summary Findings	<u>Risk</u>
	<u>Horton Warehouse Procedures</u>	
2.01	Retail Services staff have a copy of the Authority's standing orders and financial regulations via the internet.	
2.02	Guidance notes are in place for a number of the procedures operated in the warehouse. These are brief, but sufficient to enable the systems to be operated in the absence of both the Retail Sales Manager and his Assistant.	
2.03	Arrangements for ordering goods and services and transferring stock to the Visitor Centres were reviewed. These were found to operating well and no discrepancies were found.	
2.04	Ordering procedures at the moment do not comply with the Authority's Financial Regulations. All individual orders are less than £5,000, the threshold above which quotations are required, but during the season orders totalling in excess of £40,000 have been raised with one supplier and in excess of £8,000 with another. In addition the Authority has an informal arrangement with the first of these suppliers in respect of discounts and there is no contract.	Goods may not be purchased in accordance with Financial Regulations and EU procurement regulations. The Authority may not be able to receive the discount without having a formal contract with the supplier.

	Summary Findings	Risk
2.05	<p>Satisfactory procedures are in place for checking stock held in the warehouse. This is carried out twice yearly, but by the Retail Services staff and not individuals independent of the operation of the system. The auditors accept that there is little scope in having independent stock checks in view of the size of the operation. During the audit a sample of stock was checked and only one minor discrepancy was found.</p> <p>However, the auditors query the merit of undertaking a stock check of all items twice a year, and consider that more frequent checks of the higher value items, in conjunction with a full check at the year end, would be a more appropriate use of officer time.</p>	Discrepancies between stock held and stock records may go unnoticed.
2.06	Arrangements for valuing stock at the year end and writing off discrepancies were reviewed and found to be satisfactory.	
2.07	Satisfactory arrangements are in place for the security of stock at the warehouse.	
2.08	Satisfactory arrangements are in place for restricting access to the stock management and ordering software at the warehouse. The system is backed up on a regular basis and backups are stored in appropriate remote locations.	All income received is not processed through the till or banked.
2.09	The terms and conditions included on the Authority's website for the sale of goods comply with the Consumer Protection (Distance Selling) Regulations 2000.	
2.10	<p><u>Hawes Visitor Centre</u></p> <p>Good arrangements are in place for processing sales, and customers are issued with receipts from the till. The auditors were able to reconcile bankings to till receipts, but it was noted that certain items of income processed through the till are not banked. These items all consist of monies collected on behalf of third parties (mainly charities). These include the proceeds from the sale of MENCAP Christmas cards; income from the sale of a Marie Hartley book that was retained to pass on to the friends of the Dales Countryside Museum; and sale proceeds for Gayle Mill. Also, income from the sale of fishing tickets was not being put through the till. All this income was stored in various tins in the safe awaiting collection by the third parties.</p>	
2.11	VAT is correctly accounted for.	
2.12	<p>Full stock checks are undertaken twice yearly. However, the visitor centre assistants do not receive any feedback as to how accurate the stocks are.</p> <p>A sample stock take was made during the audit and only a minimal number of discrepancies were found.</p>	

	Summary Findings	Risk
	<p><u>Reeth Visitor Centre</u></p>	
2.13	Good arrangements are in place for processing sales, and customers are issued with receipts from the till. The auditors were able to reconcile bankings to till receipts.	Staff may see little value in undertaking an exercise they do not own.
2.14	VAT is correctly accounted for.	
2.15	Full stock checks are undertaken twice yearly. However, the visitor centre assistants do not receive any feedback as to how accurate the stocks are.	
	A sample stock take was made during the audit and only a minimal number of discrepancies were found.	
	<p><u>Grassington Visitor Centre</u></p>	
2.16	Good arrangements are in place for processing sales, and customers are issued with receipts from the till. The auditors were able to reconcile bankings to till receipts.	
2.17	VAT is correctly accounted for.	

3.0 OPINION

- 3.1 The overall audit opinion of the financial controls operated at the Horton Warehouse and the visitor centres visited is that they are good.

4.0 RECOMMENDATIONS

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
4.1	The Retail Services Manager consider discontinuing full twice yearly stock checks and initiating quarterly checks of the higher value items in stock, in conjunction with a full check at the year end.	Important	2.05	The Retail Services Manager will amend the procedures accordingly for implementation in the 2007/08 Financial Year.	Kevin Smith	April 2007
4.2	The Retail Services Manager consider entering into formal contracts for the supply of books and souvenir items after undertaking quotation or tender exercises.	Essential	2.04	The Retail Services Manager will examine the options available for undertaking tender exercises for the supply of books and souvenirs if it is felt that this will achieve Best Value.	Kevin Smith	June 2007
4.3	All Visitor Centre income be processed through the till and banked. If income is collected on behalf of third parties it should be paid over by cheque or BACS payment, not retained at centres.	Essential	2.10 & 2.13	The Senior Finance Officer and Retail Services Manager will jointly review the procedures for the collecting and banking of income on behalf of third parties.	Irene Brannon and Kevin Smith	June 2007
4.4	Visitor Centre staff to be informed of the outcome of all stock checks and, in particular, any discrepancies between stock held at the Visitor Centre and stock recorded on the warehouse computer system.	Useful	2.12, 2.15 & 2.18	The Retail Services Manager will amend the procedures accordingly for implementation in the 2007/08 Financial Year.	Kevin Smith	April 2007

YORKSHIRE DALES NATIONAL PARK AUTHORITY

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	MAIN ACCOUNTING, BUDGETARY CONTROL, CAPITAL ACCOUNTING, ASSET REGISTERS, TREASURY MANAGEMENT AND IT CONTROLS
SENT TO:	AUDIT AND REVIEW COMMITTEE CHIEF EXECUTIVE HEAD OF FINANCE AND RESOURCES
CC:	TREASURER TO THE AUTHORITY

CONTENTS

Section

Introduction	1
Findings	2
Opinion	3
Recommendations	4

Internal Audit Service
Central Finance Business Unit
County Hall
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21 June 2007

1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards, the Internal Audit Service has documented and tested all fundamental systems of the Yorkshire Dales National Park Authority for 2006-07. A fundamental system is defined to be one which processes £145,000 or more in the financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 Five of the fundamental systems are concerned with budgeting and core accountancy functions. These systems are as follows:
- main accounting;
 - budgetary control;
 - capital accounting;
 - asset registers and inventory;
 - treasury management.
- 1.3 With the exception of inventory, which was the subject of a separate audit, the results of testing the above systems are detailed in this report. In addition, certain IT controls were reviewed, and the outcomes of the review are reported here.
- 1.4 The audit work was undertaken during April 2007.
- 1.5 This report was issued on 21 June 2007.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

2.0 FINDINGS

	Summary Findings	Risk
2.01	<u>Main Accounting</u> The main accounting system, SunSystems, does an automatic roll-over of the balance sheet closing amounts at year end so that these become the opening amounts of the new year. The Senior Finance Officer sums the profit and loss account closing amounts and does a journal to transfer the total to the reserves on the balance sheet.	
2.02	All debits and credits to SunSystems net to zero, because SunSystems will not allow an unbalanced journal to be posted, and all main accounting transactions are done through journals.	

2.03	The feeder systems into SunSystems are payroll, visitor centre income and planning fees. These are not automatic feeder systems – Finance staff produce journals for each of them. All data input from these feeder systems is subject to control and agreement between the originating sections and Finance Section.	
2.04	There are control accounts for creditors, debtors, payroll and VAT. These accounts are reconciled regularly with subsidiary records and, in the case of payroll, the feeder system. Reconciliations take place weekly for creditors, fortnightly for debtors, and monthly for payroll and VAT.	
2.05	Every month, bank reconciliations are prepared by the Senior Finance Officer and reviewed by the Head of Finance and Resources.	
2.06	All journal transfers include concise and informative narrative. Although Finance Section officers input and then post their own journals, without approval from a second officer, this is satisfactory because the Finance Section is small and SunSystems allocates a unique reference number to each journal and links the journal to the officer who input it.	
2.07	Only authorised personnel (i.e. Finance Section staff) can update and amend the main accounting system. The main feeder system is for payroll, and only authorised staff (i.e. County Hall payroll officers and Personnel Section staff) can update and amend this system.	
2.08	Suspense accounts are regularly reviewed, investigated and cleared.	
	<u>Budgetary Control</u>	
2.09	The budget covers all areas of income and expenditure, except major capital projects which are reported separately. The Vision Executive system generates budgetary control reports by interrogating the ledger in SunSystems.	
2.10	The budget is based on realistic assumptions, such as the annual grant settlement from DEFRA, pay awards, employer pension contributions, the staff vacancy factor, and managed savings to be made, and takes into account the projected inflation rate. The Proposed Budget 2006/07 was presented to the Finance and Resources Committee meeting in November 2005 and approved by the Authority in January 2006.	
2.11	All budgets are allocated to named individuals. Budget managers control budgets at section level and report to budget holders, who control budgets at departmental level. The Senior Finance Officer meets budget holders at least quarterly.	
2.12	The induction process for budget managers and budget holders includes training in financial management. Finance Section staff provide additional training, which includes hands-on experience of the finance computer system, and are available to answer day-to-day queries.	
2.13	Budgetary control reports are produced quarterly. The latest outturn statement demonstrates that the Authority keeps expenditure within budget.	

<p>2.14</p> <p>2.15</p> <p>2.16</p> <p>2.17</p> <p>2.18</p> <p>2.19</p> <p>2.20</p> <p>2.21</p> <p>2.22</p> <p>2.23</p> <p>2.24</p>	<p>Income and expenditure are monitored separately for each cost centre. Budget managers are required to explain material variances of £10,000 or over.</p> <p>The virement limits are defined in section 3.4 of the YDNPA Financial Regulations. A Virement Report is put before meetings of the Finance and Resources Committee for their approval.</p> <p>Financial Progress Reports, showing budget performance by department and cost centre, are produced quarterly and presented to the Finance and Resources Committee.</p> <p>Other important financial information is reported quarterly to the Finance and Resources Committee. Such information includes the cash flow position and details of grants received.</p> <p>A balance sheet summary is reported, after year-end, to the Finance and Resources Committee.</p> <p><u>Capital Accounting</u></p> <p>All relevant expenditure of over £5,000 on fixed assets is capitalised, although this 'de minimus' level is not specified in the Statement of Accounting Policies. Records of all fixed assets are maintained, and additions, disposals and revaluations during the year are included. Valuations are made in accordance with CIPFA guidance, and appropriate depreciation charges are calculated and applied.</p> <p><u>Asset Registers</u></p> <p>The Inventory and Asset Security Guidelines state the corporate policy for the maintenance of accurate asset registers and inventories.</p> <p>The Guidelines specify that, when assets are acquired, transferred or disposed of, the Senior Finance Officer must be informed, and they give the intranet addresses of the electronic forms to be completed for this purpose.</p> <p>Annually, there is an inspection of all fixed assets at all sites. All newly acquired assets are marked with security tags, and the fixed asset register and inventory are updated.</p> <p><u>Treasury Management</u></p> <p>The only investments made by the Authority are the daily sweeps of surplus bank balances into the North Yorkshire County Council (NYCC) County Fund. The balance on this account is invested on the money market at market rates, and an apportionment of the interest earned is made quarterly to the Authority. The balances transferred on a sample of dates were checked by the auditor and found to be accurate. The average rate of interest received on balances during 2006/07 was 4.92%.</p> <p>The Authority complies with the CIPFA Code of Practice on Treasury Management in the Public Services. In particular, the Authority has a Treasury Management Policy Statement, an Annual Treasury Management Strategy 2006/07 and use of the NYCC Annual Investment Strategy 2006/07.</p>	<p>Expenditure on fixed assets may not be capitalised in accordance with the Statement of Accounting Policies.</p>
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2.25	<p><u>IT Controls</u></p> <p>A full back-up is done twice per week and once per month (at the end of the month). The full back-up tapes are stored off-site in a fire-proof safe at Horton-in-Ribblesdale Warehouse. An incremental back-up (i.e. a back-up of only those files that have been changed since the most recent full back-up) is done on all other nights. The incremental back-up tapes are stored on-site in the server room and not in the fire-proof safe. At the Bainbridge office, there is a purpose-built computer room. The servers are in this room, which is kept locked. The computer system involves the thin client Citrix, which means that servers are only needed at one site, and all sites are connected by the wide area network (WAN).</p>	Data may be lost and have to be regenerated.
2.26	<p>The IT contingency plan is currently under revision. Once written, it will be tested.</p> <p>There are support agreements with various third parties for the main IT systems, such as SunSystems.</p>	In the event of a disaster, contingency arrangements may not be robust.

3.0 OPINION

- 3.1 The overall audit opinion of the controls evaluated is that main accounting, budgetary control, capital accounting, asset registers and treasury management are **good**, but IT is **satisfactory**, because of the weaknesses identified.

4.0 RECOMMENDATIONS

Recommendation		<u>Ranking</u>	<u>See Para</u>	Management Response	To be actioned by:	
					Name	Date
4.1	The de minimus level of £5,000 for capitalisation should be specified in the Statement of Accounting Policies.	Important	2.19	To be incorporated into the 2007/08 accounts.	I Brannon	April 2008
4.2	The incremental back-up tapes should be stored in the fire-proof safe at Yoredale (i.e. Bainbridge office).	Important	2.25	Agreed	S Funnell	Immediate
4.3	The IT contingency plan should be tested as soon as possible.	Important	2.26	Agreed	S Funnell	August 2007

YORKSHIRE DALES NATIONAL PARK AUTHORITY

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	CAR PARK INCOME, PLANNING FEES, VISITOR CENTRE INCOME AND SUNDRY DEBTORS
SENT TO:	AUDIT AND REVIEW COMMITTEE CHIEF EXECUTIVE HEAD OF FINANCE AND RESOURCES
CC:	TREASURER TO THE AUTHORITY

CONTENTS

Section

Introduction	1
Findings	2
Opinion	3
Recommendations	4

Internal Audit Service
Central Finance Business Unit
County Hall
Northallerton DL7 8AL

21 June 2007

1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards, the Internal Audit Service has documented and tested all fundamental systems of the Yorkshire Dales National Park Authority for 2006-07. A fundamental system is defined to be one which processes £145,000 or more in the financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 Four of the fundamental systems relate to the collection and processing of income. These systems are the following:
- car park income;
 - planning fees;
 - visitor centre income;
 - sundry debtors accounts.
- 1.3 The results of testing three of these systems are detailed in this report. The remaining system (i.e. visitor centre income) was the subject of a separate audit.
- 1.4 The audit work was undertaken during April 2007.
- 1.5 This report was issued on 21 June 2007.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

2.0 FINDINGS

	Summary Findings	<u>Risk</u>
2.01	<u>Follow-up</u> Planning Section completes a schedule of fees received and passes the remittances to Finance Section in accordance with the cash collection cycle – weekly in winter and twice weekly in summer. This is a satisfactory response to the recommendation on frequency of cash transfer.	Inappropriate use of staff time in entering data twice.
2.02	Finance Section has not implemented the recommendation to devise an electronic schedule of planning fees, to be completed by Planning Section, so that it can be loaded automatically into the main accounting system (MAS) as a journal.	
2.03	The recommendation that the cash collection contractor be required to collect income from Yoredale weekly, as specified in the contract for income collection, has been implemented.	

2.04	<p>The recommendation that the return from Visitor Centres to Finance Section of weekly sales income be made electronically, so that it can be loaded automatically into the MAS as a journal, has been implemented.</p>	
2.05	<p><u>Car Park Income</u></p> <p>Car parking ticket machines are emptied almost daily by a cash collection company employee who prints an audit ticket for the total value of tickets sold and records, on a Cash and Deposit Statement, the amount of cash collected. The cash is banked twice per week, and all records are sent to the Finance Section. No checking of the records is done by Finance Section staff, as reliance is placed on the checks done by the cash collection company. The auditor found no significant problems.</p>	
2.06	<p>The cash collection company employee reconciles the cash banked to the cash receipted by the car parking ticket machines.</p>	
2.07	<p>The cash collected from the car parking ticket machines is regularly journalled to the main accounting system.</p>	
2.08	<p>Targets are set to keep records up to date, and the Cash and Deposit Statements are rigorously completed by cash collection company employees daily and forwarded to the Finance Section with supporting documentation every week.</p>	
2.09	<p>There is quarterly monitoring of car park income (actual versus budget), reported to the Finance and Resources Committee. The Senior Finance Officer requests the quarterly monitoring information from the Contracts Manager and produces the report. The Contracts Manager does additional monitoring of car park income and produces an annual report that forms part of the Chief Executive's Report. In 2006-07, car park income appears to be slightly below budget.</p>	
2.10	<p>There is a well-defined system for penalty tickets. Periodically, Park Rangers patrol the car parks and, where a vehicle is not displaying a valid ticket, issue a penalty ticket for the full day's charge. The ticket is in duplicate, so one copy is returned to the Contracts Manager, and the other includes printed instructions for payment. Drivers can buy a ticket from a machine in the car park, take the penalty ticket to a Visitor Centre and pay for it there, or send a cheque and the penalty ticket to the Contracts Manager. However, the Authority has chosen not to use its enforcement powers: under YDNPA Bye-Laws Relating to Car Parking, drivers who park on Authority land without paying the appropriate fee can be fined a maximum of £100 by the courts.</p>	
2.11	<p>There is segregation of duties between staff involved in issuing car parking penalty tickets and those involved in arrears recovery.</p>	
2.12	<p>There are reasonable security arrangements for limiting access to controlled stationery and the keys to car parking ticket machines.</p>	

<p>2.13</p> <p>2.14</p> <p>2.15</p>	<p><u>Planning Fees</u></p> <p>A sample of applications was reviewed. It was found that the fees charged were correct, receipts issued and the fee income was correctly recorded in the Main Accounting System.</p> <p>In the sample tested it took up to three weeks for the fees to pass from being receipted to appearing on the bank statement. However, this was due to the practice of only passing fees to the Finance Section when all documents relating to the planning application had been received. Cash collection from Yoredale was now found to be regular and frequent.</p> <p>The separation of duties in the systems was found to be good.</p>	
<p>2.16</p> <p>2.17</p> <p>2.18</p> <p>2.19</p> <p>2.20</p> <p>2.21</p>	<p><u>Sundry Debtors</u></p> <p>A sample of debtors accounts was reviewed and all were found to have been raised in accordance with the instructions of the requisitioning officer.</p> <p>The request for an invoice to be raised is made on a serially numbered form that includes the name and department of the officer who completes the form, so invoices can be traced back to the requisitioning officer.</p> <p>Since only 300 to 350 invoices are raised per year, for efficiency, the Finance Section raises them in batches. On average, it takes 10 days to raise an invoice.</p> <p>Satisfactory arrangements are in place for following up unpaid accounts. An aged debtors report is produced every month, and invoices over 30 days old are subject to a reminder letter. If they are not paid by the time of the next review they are referred to Legal Section and a demand for payment within 7 days is issued.</p> <p>Separation of duties normally exists between invoicing and collection. However, because the Finance Section is small, Finance Clerks both raise invoices and process the cheques received. The necessary separation of duties is implemented here because the Senior Finance Officer does the bank reconciliation.</p> <p>Budget managers are responsible for ensuring that all sundry income is invoiced, including periodical income and major areas of activity within departments.</p>	

3.0 OPINION

3.1 The overall audit opinion of the controls evaluated is that sundry debtors, car park income and planning fees are **good**.

4.0 RECOMMENDATIONS

Recommendation		<u>Ranking</u>	<u>See Para</u>	Management Response	To be actioned by:	
					Name	Date
4.01	<p>Planning Fees Consideration should be given to producing the schedule of fees electronically in Planning Section so that it can be loaded automatically into the main accounting system as a journal.</p> <p>Car Park Income</p>	Useful	2.02	Agreed	I Brannon	September 2007
4.02	The Head of Park Management should consider whether to use the YDNPA Bye-Laws Relating to Car Parks to enforce the payment of penalty parking tickets.	Useful	2.10	To be reviewed	J Avison	August 2007

YORKSHIRE DALES NATIONAL PARK AUTHORITY

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	CREDITORS, PURCHASING AND CONTRACTING
SENT TO:	AUDIT AND REVIEW COMMITTEE CHIEF EXECUTIVE HEAD OF FINANCE AND RESOURCES
CC:	TREASURER TO THE AUTHORITY

CONTENTS

Section

Introduction	1
Findings	2
Opinion	3
Recommendations	4

Internal Audit Service
Central Finance Business Unit
County Hall
Northallerton DL7 8AL

7 June 2007

1.0 INTRODUCTION

- 1.1 As a result of the adoption of International Auditing Standards, the Internal Audit Service has documented and tested all fundamental systems of the Yorkshire Dales National Park Authority for 2006-07. A fundamental system is defined to be one which processes £145,000 or more in the financial year. A sample of transactions for each fundamental system has been tested in line with Key Control Schedules provided by the Audit Commission.
- 1.2 Two of the fundamental systems relate to the procurement of goods and services. These systems are as follows:
- creditors and payments;
 - contracting.
- 1.3 The results of testing these systems are detailed in this report.
- 1.4 The audit work was undertaken during April 2007.
- 1.5 This report was issued on 8 June 2007.

If you require any further information regarding this audit please contact Ian Smithson, NYCC Internal Audit Service, on 01609 532739.

2.0 FINDINGS

	Summary Findings	<u>Risk</u>
2.01	<u>Creditors and Payments</u> A sample of invoices was reviewed, and all invoices were found to be correctly authorised for payment.	
2.02	The production of cheques from SunSystems was found to be checked. However the checks were not evidenced. The reliability of the checks would be improved if they were evidenced by ticking the entries as they were checked and initialling and dating the printout to confirm who carried out the checks.	The cheque run verification system may produce inaccurate information.
2.03	The controls relating to urgent payments were found to be good and operating correctly.	
2.04	It was found that payments are released independently from authorising officers and that cheques are not returned to creditors section.	

<p>2.05</p> <p>2.06</p> <p>2.07</p> <p>2.08</p> <p>2.09</p> <p>2.10</p> <p>2.11</p>	<p>Cheques are securely controlled and accounted for. However the security of cancelled cheques could be further improved by tearing the signature area off cancelled cheques.</p> <p>A small number of duplicate payments were made which would not have been possible if all of the controls were operating. While the numbers found are low and values are not material, it would be prudent to investigate the reasons for any duplicate payments and record the results on the cancelled cheque form.</p> <p>Payments were made in a timely manner.</p> <p>The coding of invoices was found to be correct.</p> <p>System security is satisfactory. Suppliers can only be set up using the SU1 form. System software changes can only be made by the software providers.</p> <p>On the sample of invoices checked the VAT was found to be correct. The VAT returns for the period April 2006 to March 2007 were reviewed and all found to be correct and made on time.</p> <p>Credit card transactions were reviewed and were found to be for appropriate purchases and properly authorised.</p> <p>International bank transfers were found to be correctly recorded and appropriately authorised.</p>	<p>Cheques may be inadequately controlled.</p>
<p>2.12</p> <p>2.13</p> <p>2.14</p>	<p><u>Contracting</u></p> <p>Financial Regulations require written quotations to be sought for purchases between £5,000 and £50,000 and tenders to be invited for purchases over £50,000. The tender procedures in Financial Regulations are followed.</p> <p>The Contracts Manager and the Monitoring Officer in Legal Section have drawn up a model invitation to tender to be used by all officers. Very complicated contracts are drawn up by outside bodies.</p> <p>Written contracts are in place for purchases of over £20,000. The contract contents comply with Financial Regulations.</p> <p>Contracts are signed by the Chief Executive Officer (CEO), the Deputy CEO and members of the Senior Management Team who have delegated authority.</p>	

2.15	<p>An up-to-date register of members' interests is held in Legal Section. Upon appointment, each member must complete a Registration of Financial and Other Interests. An up-to-date register of officers' interests is also held in Legal Section. Each officer who has personal interests that may be relevant to the performance of his or her duties must complete a Staff Declaration of Interests Form.</p> <p><u>Follow-up</u></p>	
2.16	<p>The recommendation that staff should be reminded of the requirement for payment of invoices within 30 days and the procedures for annotating invoices in dispute has been implemented.</p>	
2.17	<p>The recommendation that the Senior Management Team should remind all officers of the requirements of Financial Regulations in relation to written documentation for orders has been implemented.</p>	
2.18	<p>The recommendation that all senior officers and those with responsibility for purchasing should be required to complete the register of interests, even where this involves a nil return, has been removed. The current system of notifying all officers, at their commencement of employment, via the Code of Conduct, of their responsibility to declare any private interests that have a bearing on their official duties is judged to be adequate.</p>	

3.0 OPINION

- 3.1 The overall audit opinion of the controls evaluated is that creditors and payments and contracting are **good**.

4.0 RECOMMENDATIONS

Recommendation		<u>Ranking</u>	<u>See Para</u>	Management Response	To be actioned by:	
					Name	Date
4.1	The checks carried out on each cheque run from SunSystems should be evidenced.	Important	2.02	Agreed	I Brannon	Immediate
4.2	The signature area of cancelled cheques should be torn off to improve security.	Useful	2.05	Agreed	I Brannon	Immediate
4.3	The reasons for any duplicate payments should be investigated and the results recorded, to allow for early identification of any weaknesses in control.	Important	2.05	Agreed	I Brannon	Immediate