

## **General Assembly Documents**

### **Report of Internal Auditor:**

### **Appendix 1 – Update of internal audit recommendations**

**22<sup>nd</sup> September 2011**



## Introduction

This report presents a draft update on actions taken on the recommendations previously made by the auditor and agreed by Council members at their meeting in Stromstad in September 2009.

The updates are formed from my observation of activity from recent Council meetings and review of Council papers.

## Purpose of Report

The report is issued at this time to:

- provide an update on progress made in improving the Federation's systems and controls;
- highlight to the General Assembly the progress made by Directorate and Council in implementing improvements in systems;
- support discussion on where further audit work may be required;
- highlight any areas of risk previously identified where controls or systems may still be weak and where the Federation may therefore be exposed to risks of business failure.

- **Structure of Report and Future Action**

The report highlights an update assessment on action taken on previous recommendations on the following basis:

Assessment	Status
	Green: recommendations implemented as far as possible, or no further action required.
	Amber: progress made in implementing recommendations,
	Red: no action taken to date, and recommendation remains assessed as a valid point of further consideration by Council and / or Directorate.

**Progress Update on Schedule of Internal Audit Recommendations September 2008 to July 2009**

<b>Ref.</b>	<b>Audit Plan Element</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Reason for Making Recommendation</b>	<b>Internal Auditor's Update</b>
1	d. Financial Management	The Federation should ensure that Headquarters staff and finance systems are able to produce timely and accurate financial reports, in a format and language appropriate to the Director and other key users. If necessary, investment in additional staff or finance systems should be considered to ensure this is achieved.	High	It is essential to the long term health of the Federation that staff and Council have access to timely and accurate financial information, to ensure that the organisation is managed on a basis of full understanding of the financial position of the organisation. Discussion with the Director and Treasurer, and observation at Council meetings, suggests that full and timely financial management information is not always available.	Director, staff and Council have been reviewing financial management information and systems. Director is confident that adequate financial management information is available. Council has agreed that they should see an update of the financial position every 3 months.
2	a. Governance	The Director should develop a summary monitoring report that provides brief, high level information, on progress made against objectives set out in the agreed Europarc Federation Strategy 2008-12. The structure of this report should be agreed with members of the Council.	High	There is clear evidence that the Director has implemented a full business planning process that translates into detailed work programmes for the Federation and its staff. However, this management tool does not serve as an effective means of giving the Council strategic oversight of the effectiveness of the organisation in achieving the key strategic objectives set out in the Europarc Strategy 2008 – 2012. The council is not currently able to discharge one of its key roles, in maintaining an oversight of the effectiveness of the Federation and its	Completed. Revised reports now presented to each meeting of Council.

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				staff. An example of such a monitoring report has been provided to the Director (January 2009).	
3	b. Strategic planning	The Director should agree a set of numeric, measureable Key Performance Indicators (KPIs) with the Council. The Indicators should aim to give some form of measurement of progress against key objectives.	Medium	While much of the work of the Federation is not easily measured in terms of numbers or statistics, the development of an agreed set of key performance indicators will provide a means for the Council to consider the organisations performance in meetings its objectives, and provide a means to discuss performance with senior staff in a meaningful way.	This has been considered. However, it is difficult to find a reasonable set of indicators to fit into current strategy. The means of measuring success in delivering strategy through a set of indicators can be considered further as work is done in developing the new Federation strategy.
4	b. Strategic planning	A summary of the key strategic objectives set out in the agreed Strategic Plan should be drawn up and used as a core reference point in establishing objectives for individual projects and work-groups.	Medium	It is not always clear to Council how the work being undertaken by Federation staff and workgroups links back to delivery of the Federation Strategy. A summary of the Strategic objectives may be a more accessible reference document for staff and sections and allow the Director and Council to better focus the work undertaken throughout the Federation.	The approach to workgroups and projects has been fully reviewed and groups have been invited to bid for resurces on the basis of the fit of their planned objectives with Federation strategy
5	a. Governance	A set structure for providing feedback on activities to meetings should be developed by	High	From observing meetings, feedback on activities is very valuable and shows a great variety of work being undertaken throughout the Federation. However,	Some progress made. Changes have been implemented to the structure of reporting and the Director and staff are seeking

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		the Director, Council and Sections to be used as a standard model. This structure should reference wherever possible the key objectives of the Strategic Plan and force feedback to be based on contribution to these objectives.		the feedback is unstructured. It is difficult to link activities and achievements undertaken by staff, Sections and Europarc Consulting to the Federation Strategy or to determine what contribution activities may have made to delivering objectives. There is also a risk that information that would be helpful in justifying funding and supporting future bids will not be captured. For example, the May meeting highlighted work on quality standards and branding in Spain, and publication of academic papers in the Czech Republic. If properly referenced this would be valuable evidence to support the Core EU Funding and help justify future bids.	to impose some overall structure in the reporting of groups and sections. My view is that some further consideration of this is merited, particularly as regards the reporting of activity from sections to Council meetings.
6	a. Governance	The Council should consider and clarify the role of Europarc Consulting within the Federation and its link to work in Sections.	Medium	Sections and Europarc Consulting are all involved in training activities in some shape or form. There is a risk of duplication in this area, or even of different aspects of the Federation competing with one another internally.	Much closer linkages and improved working relationships seem now to be developing between HQ, Council and Europarc Consulting.
7	b. Strategic Planning	The Council should agree a delivery plan with each section, perhaps to cover 2 or 3 years and updated	High	There is a risk that similar work will be undertaken by different sections that could be improved through joint	There remains a need to review how sections can be more fully linked into the delivery of the overall

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		as necessary, to set out the planned activity of the section and highlight how the section may contribute to the Federation Strategy.		<p>working.</p> <p>There is a risk that the work of sections does not link up to progressing the Strategy of the Federation agreed by the general assembly, or complement other work being undertaken by the Federation.</p> <p>There is a risk that valuable work is not recognised in funding bids or submission of evidence for funding.</p> <p>Most importantly, there is an opportunity that the planned work of sections could be built into funding bids and elements of funding could therefore be secured centrally to support work of Sections.</p> <p>The Nordic Baltic section presented a good example of a section plan, which allows Council, Director and other sections to understand their workplans.</p>	<p>Federation strategy. The development of the new strategy for 2013 onwards offers an opportunity for Council and Sections to revisit this, and to decide if there is any merit in trying to more formally integrate the work of sections into the delivery of the Federation strategy, or whether the present "loose" arrangement better fits the varying needs of different parts of the Federation and differences in needs of members.</p>
8	b. Strategic Planning	All delivery plans (Sections, Headquarters, Working Groups) should include stage points, for example a description of main achievements	Medium	Use of stage points helps Council and others involved in governance and planning to easily determine whether progress of work has been as planned.	<p>Good progress made on this, particularly with working groups and project planning.</p>

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		expected at the end of each year, to allow some assessment of progress to be made.			
9	b. Strategic Planning	The Directorate should consider the potential to hold business planning meetings with sections.	Medium	Business planning meetings would help coordinate activity undertaken throughout the Federation and allow the Directorate to better link work throughout the Federation and highlight to Sections similar activities being undertaken elsewhere that they may wish to combine effort with.	There is evidence of more interaction between Directorate and sections. Further consideration of recommendation at 7 above will bring this also to a final conclusion.
10	d. Financial Management	A timetable for work on business planning should be developed that links to the development and submission of the EU Non Governmental Organisation (NGO) Grant application in November.	High	The bidding process for the EU NGO grant is increasingly competitive, and it is crucial that all key aspects of potential activity that may help support and justify the funding bid is captured in the bid. It is also important that the bid is deliverable and therefore based on achievable goals and linking business planning processes across the Federation should help to support this. Although we are currently at a time of reducing funding availability, there is also an opportunity that more joined-up business planning processes in the future could help secure additional resources for work of sections or	Implemented. Clear from loss of NGO grant in 2011 that funding bids are increasingly competitive while availability of funds declines in current economic climate.

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				Groups.	
11	d. Financial Management	The Council should consider setting a clear financial target for Europarc Consulting.	High	Europarc Consulting profits contribute to the revenue of the Federation. There is representation on the Board from within the Directorate and Council. My opinion is that this arrangement is currently too open. Without clear targets for the profit or contribution to be made, there is no overall leadership being given by the Federation on its expectation of the Consulting operation, and the motivation to control operating costs is possibly not as tight as it could be. While making a valuable contribution to the funds of the Federation, the Europarc Consulting report to Council in May 2009 highlights an increase in turnover from €150 000 to €290 000 between 2006 and 2009, while surpluses increased by only €15 000 and reserves increased to between €80 000 and €90 000.	Implemented. Target now set annually for contribution from Consulting. This now becomes part of dialogue and overall financial management to deal with any potential variation in income contribution from Consulting.
12	d. Financial Management	Europarc Consulting should provide a regular update on financial performance to the Director and Treasurer to	High	There is a risk that financial performance at the year end may not meet plans or budget if unexpected variations arise in the contribution from	Implemented.



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		allow expected surplus contributions to be added into the Federations financial management reports.		Europarc Consulting.	
13	a. Governance	Council should consider the status of Europarc Consulting and design reporting mechanisms accordingly.	Low	The relationship of Europarc Consulting to Council, Directorate and Sections should be clear to all in the Federation, as should expectations on Europarc Consulting reporting to Council and the Directorate.	Implemented.
14	d. Financial Management	Council should consider the list of outstanding membership fees in Autumn each year. Council should agree any outstanding fees to be written off, to allow this adjustment to be made in the final accounts. Council should also determine the membership status of those organisations who have not paid fees at this point.	High	The final accounts for 2008 carried an amount of old debt relating to unpaid members' fees. There is significant uncertainty over the ability to recover this fee income. Consideration of the outstanding fee position once each year by Council in Autumn will allow decisions to be taken in time to inform final accounts, will improve financial management, and will inform any changes that need to be made to organisations' formal membership status.	Implemented.
15	d. Financial Management	Council should consider membership fee structures	Low	This is a complex area and a low priority as, in my opinion, there is not	Implemented.

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		and any changes to statute needed if the structure is to change.		currently a serious issue. However, the fee structure is not transparent, and from Council discussion there is some risk that the fee structure may act as an obstacle to some protected areas joining the Federation.	
16	d. Financial Management	Directorate or Council may wish to consider a specific funding bid to support membership fees for protected areas in specific states.	Low	From Council discussion there is some risk that the fee structure may act as an obstacle to some protected areas joining the Federation. A specific fund to promote membership in some target areas may assist in achieving elements of the Federation Strategy 2008 – 2012.	Decided that no further action need be taken in this area.
17	a. Governance	All decision points for Council should be highlighted as a separate point for decision on the meeting agenda.	High	The Directors report to the Council meeting in May included a decision point on accommodation within the report. This report was primarily a report for information and recognising that many members of Council are conducting business in a second language, the fact that a specific decision was sought may have been lost. Also, it is a point of good governance that specific decision points should be highlighted as such on the agenda for a meeting, and that supporting information is set out in a separate paper to give the reasons for the	Implemented.

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				recommendation and decision sought.	
18	a. Governance	All papers presented to Council meetings should be in appropriate languages for members.	High	A paper presented to the Council meeting in May setting out statutes for the French section was in French only. While it is obviously appropriate for the French section statutes to be set out in French, Council was asked to approve these statutes and could not easily do so because of language barriers. In my experience over the year there is only this single exception but I feel it still worth making the recommendation.	Implemented.
19	a. Governance	Clear terms of reference, planned outputs and timetables for completion of activity should be established and agreed by Council for all Working Groups. These should be linked to the agreed strategy.	High	There currently appears to be a lack of structure and overall control in the management of working groups. There is a risk that groups operate without a clear sense of purpose, continue beyond their useful life, become inefficient use of scarce funding, and do not make a clear contribution to the Federation Strategy.	Implemented.
20.	b. Strategic Planning	A model or template terms of reference for Working Groups should be developed.	Medium	A standard format for working group terms of reference will allow Council to make funding decisions on a consistent basis, and help ensure working group objectives are clear and align with Federation strategy.	Implemented.

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21.	b. Strategic Planning	The Council should take more of a lead role in considering the overall policy priorities for the Federation.	High	The Federation strategy sets out a wide range of possible areas of activity for the organisation. It is unlikely that all areas can be effectively delivered in the period of the strategy and a clear sense of leadership should be provided by Council in setting top priorities linked to the strategy.	The Council has been actively involved in considering work priorities for the Federation, and has taken a lead in June 2011 in considering future strategy. Council and Directorate has also put time into development of risk register.

## Internal Audit Follow-up Recommendations July 2011

Ref.	Audit Plan Element	Recommendation	Priority	Reason for Making Recommendation	Internal Auditor's Update
1.1	d. Financial Management	The Directorate and Council should ensure that the most recent available Financial Information forms part of Council meeting papers, even if the information has been issued previously in line with the agreement to produce it every 3 months.	High	The Council has face to face meetings only 3 times each year. I suggest it is important to allow an opportunity for discussion of the financial position of the Federation at these meetings, even if this does not fit well with the agreed 3 monthly issue of financial reports. The issue of reports to Council also aids transparency, ensuring that the Council's consideration of finances is clear to Directorate staff, sections and other stakeholders.	This recommendation links to the implementation of recommendation 1 above.
22.	a. Governance d. Financial Management	The Director and Council should review the role of Treasurer and consider whether this remains the best way of ensuring good governance and management of the Federation's finances.	Medium	Currently, the Treasurer is a co-opted role on the Council. The role can require a large workload and may be difficult for the occupant to deliver where they also have their own day to day work responsibilities to deliver. It is worth considering whether the expected duties of the Treasurer could be delivered through some other means – perhaps by forming a Finance Committee reporting to Council to ensure there is an ability to call on the time of more than 1 individual.	New recommendation following observation and consideration of activity in 2011.

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23	a. Governance	The Director and Council should review the role of Internal Auditor and consider whether this remains the best way of ensuring good governance and oversight of the Federations planning and financial management.	Medium	The current role description for the internal auditor seeks to have this role review the Federation's accounts and present them to the General Assembly. Effective discharge of this responsibility requires in depth understanding of the accounting laws of the specific country in which the accounts are prepared and also duplicates the responsibility of the external or statutory auditor. From my experience over the last 3 years, it seems more effective use of time to seek to have the internal auditor ensure that the Council and Director act to deliver agreed Federation strategy, ensure effective and efficient use of resources, and provide advice on governance and wider management of the organisation.	New recommendation following observation and consideration of activity over 2009 to 2011.