

Report to	Audit Committee
Date	5 April 2011
By	Chief Finance Officer
Title of Report	Internal Audit Update
Purpose of Report	To update the Audit Committee on the work of Internal Audit and progress against the Internal Audit Plan 2010/11

Recommendation: The Audit Committee is recommended to note progress against the Internal Audit Plan and the implementation of recommendations previously made.

1. Introduction

- 1.1 The Internal Audit Plan for 2010/11 was agreed by the Audit Committee on 19 October 2010. This report details progress against this plan, reports issued and the implementation of recommendations made.

2. Background

- 2.1 The Accounts and Audit Regulations 2003 (as amended) require the South Downs National Park Authority (SDNPA) to 'maintain an adequate and effective system of internal audit of its accounting records and its systems for internal control. Proper practice is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006. Under the Code, the SDNPA is required to prepare an Internal Audit Strategy and Audit Plan for each financial year. The aim is to provide independent and objective assurance on the control environment consisting of internal control, risk management and corporate governance.
- 2.2 The Internal Audit Strategy and Annual Plan provides the framework through which the SDNPA can ensure the most appropriate use of internal audit resources to provide assurance on the Authority's control environment and management of risks.
- 2.3 The Internal Audit Plan sets out an annual schedule of those systems, services and functions to be covered. These include the audit of core financial systems to meet the expectations of the SDNPA's external auditors and best professional practice.

3. Progress Against the Audit Plan

- 3.1 All audits in the 2010/11 Internal Audit Plan are scheduled to be completed this year. The only exception to this is an IT audit which has been deferred to the first quarter of 2011/12. In lieu of this review an assurance letter is being obtained for 2010/11 based on the work carried out by Internal Audit at Hampshire County Council, who currently provide the IT infrastructure to the SDNPA. The assurance level will cover the following:-
- Back up and recovery routines
 - Business continuity
 - Capacity planning and management
 - IT security
 - Information security management.
- 3.2 The following reports have been finalised since the last report to the Audit Committee.

Final Reports

Audit Review	Assurance Opinion	Number of Recommendations and Priority
Budget Management	Substantial Assurance	Medium x 3
Treasury Management	Full Assurance	Medium x 1

A definition of the Assurance Opinions given is provided in **Appendix 1**.

3.3 At the time of drafting this report the other audits on the 2010/11 work programme were are the following stages of completion.

- Procurement (Draft Report)
- Creditors/ Accounts Payable (Draft Report)
- Allowances and Expenses (Draft Report)
- Payroll (Work in Progress)
- Programme Management (Work in Progress)
- Declarations of Interest, Gifts and Hospitality (Work In Progress)

4. Implementation of Recommendations

4.1 One audit was reported as finalised at the last Audit Committee meeting on 18 January 2011 on the SDNPA's Governance Framework. The report contained a total of 10 recommendations. The status of these recommendations is as follows:-

Governance Framework

No. of Recommendations	Priority	Status
10	Medium	9 - Implemented 1 – Partially Implemented

More details of these recommendations and their implementation are given in **Appendix 2**.

4.2 Looking ahead, the number of recommendations will increase as the planned Internal Audits are completed. The Audit Committee may wish to indicate the extent to which it wishes to see the internal reports (or just summaries) and the level of details required in relation to the follow up of recommendations.

5. Audit Plan 2011/12

5.1 The Internal Audit Plan for 2011/12 is in the process of being prepared and consulted on and will be presented to the next Audit Committee.

6. Resources

6.1 There are no additional resource implications arising directly from this report.

7. Risk Management

7.1 Internal Audit has an important role to play in relation to effective risk management for the organisation.

8. Human Rights, Equalities, Health and Safety

8.1 None.

9. External Consultees

9.1 None.

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Appendices	Appendix 1, Assurance Opinions - Definitions Appendix 2 Update on recommendations made in the Internal Audit Report of the SDNPA's Governance Framework
SDNPA Consultees	Interim Chief Finance Officer, Chief Executive Officer, Monitoring Officer & Director of Corporate Services.

Assurance Opinions - Definitions

Categories of Assurance	Assessment
Full	There is an effective system of control designed to ensure the delivery of system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
Substantial	Whilst there is a effective system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
Reasonable	Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.
Limited	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance lead to an increased risk of loss to the Authority. Not all major risks are identified and/or being managed effectively.
No	Control is generally weak on non-existent, leaving the system open to significant error or abuse and high risk to the Authority. A high number of key risks remain unidentified and/or unmanaged.

Update on recommendations made in the Internal Audit Report of the SDNPA's Governance Framework

Recommendation 1: Officers should continue to work on the development of a Business Plan to be available and effectively communicated across the Authority at the beginning of the 2011/12 Financial Year.
Implemented: To be agreed at the SDNPA meeting on 29 March 2011
Recommendation 2: Documented recruitment procedures should be put in place to cover advertising, shortlisting and interviewing.
Implemented: A range of HR policies have now been developed including recruitment. A training programme for managers has begun to present and implement these and other policies.
Recommendation 3: A Code of Conduct for officers is approved and communicated to all staff.
Implemented: This has been approved by the Standards Committee and will be presented to the Authority Meeting on the 29 March 2011.
Recommendation 4: A policy and procedures for declaring conflicts of interests should be put in place for officers. (To include rules on gifts and hospitality)
Partially implemented . The officer code of conduct has been approved by the Standards Committee and will be presented to the Authority Meeting on the 29 March 2011.
Recommendation 5: Both a Whistleblowing and Complaints Policy should be put in place.
Implemented. These tasks have been completed. The Whistleblowing policy is on the Audit Committee agenda for 5 April 2011 and the Complaints policy has been agreed by the Standards Committee and will be presented to the SDNPA meeting on 29 March 2011.
Recommendation 6: An Anti-Fraud and Corruption Policy should be put in place.
Implemented. This task has been completed and is on the Audit Committee agenda for 5 April 2011
Recommendation 7: Disciplinary and capability policies should be put in place
Implemented. Three separate policies on disciplinary, capability and grievance have been agreed.
Recommendation 8a: A Strategic Risk Register should be put in place with agreed mechanisms for its ownership, reporting and review.
Recommendation 8b: A Risk Management Strategy should be put in place.
Implemented. Both the Risk Management Strategy and the Corporate Risk Register are on the Audit Committee agenda for 5 April 2011
Recommendation 9: The Authority should develop and put in place and effective Data Protection and Freedom of Information Act Policies.
Implemented. Both policies are in place
Recommendation 10: An induction pack and programme should be finalised and used for all new appointments whether permanent or temporary.
Implemented. This task has been completed and induction events have been held for all staff