

South Downs National Park Authority

Internal Audit Annual Report and Opinion 2010/11

June 2011

Contents

Introduction	Page 3
Purpose of the report	
Role of Internal Audit	
Overview of the audit work carried out	
Annual Opinion	3
Internal Audit Coverage and Output	4
Internal Audit Performance	7
Appendix A:	8
Assurance Levels - Definitions	

Introduction

Purpose of the report

- 1 This report summarises the internal audit work undertaken by Audit & Business Risk during the financial year 2010/11, in particular the outcomes of audit reviews and management actions. The report includes the Audit Manager's Annual Opinion on the Authority's internal control environment.

Role of Internal Audit

2. Internal Audit is a statutory requirement for National Park Authorities under the Accounts & Audit Regulations 2003 (amended 2006) which states that 'a relevant body shall maintain an adequate and effective system of internal audit of its system of internal control in accordance with proper internal audit practices.'
3. The service is provided by Brighton and Hove City Council's Internal Audit and Business Risk team.
4. Our role is to provide independent and objective assurance on the adequacy of the Authority's internal control environment by evaluating its effectiveness as its contribution to the proper economic, efficient and effective use of resources.
5. We continually seek to adapt and enhance our approach in order to take account of the Authority's risk profile and emerging issues, to ensure our work remains focused on the areas of highest risk and providing value added to services.
6. Our work also assists the Chief Finance Officer in the discharge of her responsibilities as the Authority's Section 151 Officer.

Overview of the audit work carried out

7. The 2010 Audit Plan included a total of 10 audit reviews. Of this total 9 were completed in the year and one was postponed until 2011/12 (a letter of Assurance being obtained from Hampshire County Council in its place).
8. The service is delivered by audit staff from Brighton and Hove City Council. There were no significant resourcing issues during this year.

Annual Opinion

11. The level of assurance provided is based on the internal audit work carried out during the year. In assessing the level of assurance given, the following have been taken into account:
 - Internal audit work completed during 2010/11

- Follow-up action taken following agreement and issue of final audit reports in 2010/11
 - Individual audit opinions given in internal audit reports;
 - Any significant recommendations not accepted by management and the consequence of those risks;
 - Impact of significant changes to the internal control environment; and
 - The quality and performance of the service and extent of compliance with the CIPFA Code of Practice for Internal Audit
12. We are satisfied that sufficient assurance work has been carried out to form a reasonable opinion on the adequacy and effectiveness of the Authority's internal control environment. The internal control environment comprises internal control, risk management and governance arrangements.
13. Are annual opinion is as follows:-

14. Based upon the internal audit work undertaken, our overall opinion is that **Reasonable Assurance** can be provided that an effective system of internal control is in place at the National Park Authority for the year ended 31st March 2011 and is operating effectively.
15. Our audit work during the year has identified weaknesses and specific actions for improvement of the control environment. We will continue to work closely with management in successfully implementing actions within appropriate timescales.

Internal Audit Coverage and Output

16. Table 1 summarises the audit opinions in the 2010/11 reviews and the number of recommendations made. In future years we will provide a year on year comparison to indicate a direction of travel.

Table 1.

Audit	Report Status	Assurance Level	Recommendations		
Key Financial Systems					
			High	Medium	Low
Payroll/HR	Final	Reasonable		6	
Creditors/ Accounts Payable	Final	Substantial		2	
Budget Management	Final	Substantial		3	
Treasury Management	Final	Full		1	
Corporate Governance					
Declarations of Interest and Hospitality	Final	Reasonable		3	
Programme Management	Final	Reasonable		6	1
Governance Framework	Final	Reasonable		10	
ICT					
Back up and Recovery		Reasonable	Based on Assurance Letter		

Routines, Business continuity, Capacity planning and management, Computer Suite			from Hampshire County Council Audit Services		
Others Systems					
Procurement	Final	Limited	1	2	1
Allowances and Expenses	Final	Reasonable		7	1

Fraud and Irregularities

17. There were no allegations of frauds or irregularities identified or brought to our attention during 2010/11.

Unplanned Audits

18. No additional or unplanned Internal Audits were added to the audit plan during 2010/11.

Support to the Audit Committee and other Corporate Support

19. Support was provided to the Audit Committee during the year in accordance with the 2010/11 Internal Audit Plan. This included preparation of audit plan, monitoring and reporting audit progress and liaison with senior officers from the Authority and external audit. As well as Audit Committee attendance and reporting it has also included some advice on financial controls and assistance with the annual governance review process.

Conclusions arising from audit reviews

20. Many of the findings and recommendations arising from our 2010/11 audit work arise from the fact that the Authority was still developing and embedding systems and controls during the year. In practice this means that in some areas there were controls not in place which we would expect to see being introduced in the next 12 months as the Authority's systems become established.
21. During this initial year we note that the volume of transactions in certain key system e.g. creditors and payroll was relatively low. During the coming financial year we would expect these volumes to increase.
22. We have only given Limited Assurance in relation to one audit in the year. This was the review of Procurement. The full text of the audit opinion given was,

Limited assurance is given over the control environment operating for ensuring effective procurement processes are in place.

Our testing identified that there was an absence of official contracts, quotations, tenders and tender evaluation records for procurements where there should have been. Although a number of cases, the Head of ICT, Premises and Procurement has confirmed that tendering arrangements have been undertaken by Natural England evidence was not available at the time of audit to confirm these arrangements.

It remains that SDNPA are continuing to incur (sometimes high value) expenditure with suppliers with whom there is no evidence of any formal contracts and monitoring arrangements. It should be noted that in undertaking the testing, many of the arrangements with suppliers were in place prior to the adoption of Contract Standing Orders (July 2010). There remains a risk that the authority is not obtaining value for money from its purchases or that existing contracts no longer cover the current provision of services.

A sample of two recently procured services were reviewed and it was found that these generally complied with Contract Standing Orders. This provides assurance that the Authority have an effective procurement process for all new procurements since the introduction of Contract Standing Orders

- 23.. There are a further 6 reviews where Reasonable Assurance was given which identifies a need to either improve some of the controls, or the consistent application of controls, in these systems.
24. The majority of the 44 recommendations made were medium priority recommendations. The recommendations made may be categorized as below. (Table 2).

Table 2.

Type Of Recommendations	Number
Requirement for Policies or Procedures	15
Authorisation Controls	2
Exemption Reporting	2
Insufficient evidence of transaction, or retention of documentation	10
Issues concerning delegation of authority	4
Improvements to management information	3
Other	8
Total	44

Internal Audit Performance

23. Appendix D of the 2010/11 Internal Audit Strategy and Plan included a number of performance indicators for the delivery of internal audit services.
24. Performance against these targets is detailed below (Table 3).

Table 3.

Aspect of Service	Performance Indicators	Target	Actual
Cost and Quality of Input	<ul style="list-style-type: none"> Planned days delivered 	<ul style="list-style-type: none"> 100% 	<ul style="list-style-type: none"> 100%
Productivity and Process Efficiency	<ul style="list-style-type: none"> Achievement of annual plan (%) Issue of draft report after completion of fieldwork Issue of final report after agreement with client of draft 	<ul style="list-style-type: none"> 95% Minimum Within 10 Days Within 10 Days 	<ul style="list-style-type: none"> 100% 67% 67%
Quality of Output	<ul style="list-style-type: none"> Client satisfaction levels (including added value from audit recommendations), source customer satisfaction questionnaires External audit reliance on work of internal audit 	<ul style="list-style-type: none"> 90% of scores within good to very good Reliance placed 	<p>Monitoring process to be developed</p> <p>Reliance placed</p>
Compliance with Professional Standards	<ul style="list-style-type: none"> CIPFA Code of Practice for Internal Audit in Local Government (2006) 	<ul style="list-style-type: none"> 100% compliant 	<ul style="list-style-type: none"> 100% compliant
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of agreed recommendations 	<ul style="list-style-type: none"> 98% of High Priority Recommendations 85% of Medium Priority Recommendations 	<p>Details agreement to:</p> <p>100% High</p> <p>90% Medium</p>
Our Staff	<ul style="list-style-type: none"> Professionally Qualified Annual Training & Development Received (Minimum) 	<ul style="list-style-type: none"> 80% 5 Days 	<ul style="list-style-type: none"> 90 Average 4.6

Appendix A

Assurance Levels - 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.