| Report to | **Audit Committee** |
|---|---|
| Date | **27 September 2011** |
| By | **Chief Finance Officer** |
| Title of Report | **Internal Audit Progress and Implementation Report** |
| Purpose of Report | **To update the Audit Committee on the work of Internal Audit and progress against the Internal Audit Plan 2011/12** |

**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 2011/12 was agreed by the Audit Committee on 20 June 2011. This report details progress against this plan, reports issued and the implementation of recommendations previously made.

## 2. Background

2.1 The Accounts and Audit (England) Regulations 2011 require the South Downs National Park Authority (SDNPA) to 'maintain an adequate and effective internal audit of its accounting records and of its systems for internal control in accordance with the proper practices'. 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 Only one report has been finalised since the last report to the Audit Committee. Details of this report are below.

| Audit Review | Assurance Opinion | Number of Recommendations and Priority |
|---|---|---|
| Human Resources | Reasonable Assurance* | Total: 4<br>Medium Priority: 3<br>Low Priority: 1 |

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

3.2   The draft report on ICT Infrastructure and Data Security has been prepared and has been circulated for discussion and agreement.

3.3   Although only one report has been finalised at this point all audits in the 2011/12 Internal Audit Plan are scheduled to be completed this year.

Audits started in Quarter 2  (July to September 2011)

3.4   The following audits have commenced this quarter
   • Planning Project – Review of Implementation arrangements
   • Budget Management
   • Procurement

3.5   The internal audit of procurement is expected to focus on contract arrangements rather than the purchase order / invoice payment processes which are due to changed in the near future.

Audits due to commence in Quarter 3 (October to December 2011)

3.6   The audits of Creditors and Treasury Management are expected to commence and be completed in Quarter 3.

Audits Deferred to Quarter 4

3.7   The internal audit of business continuity will be deferred to allow the current work being undertaken with partner organisations to be completed.

3.8   It is also likely that the audit of Payroll scheduled for  quarter 3 will be deferred until Quarter 4 to make best use of the information arising from the service provider's (Brighton & Hove City Council's) own audit of this system and related controls.

**4.   Unplanned Audit Reviews**

4.1   There have been no unplanned audit reviews since the last Audit Committee meeting.

**5.   Implementation of Recommendations**

5.1   A protocol for monitoring the implementation of Internal Audit recommendations has now been agreed between the National Park Authority and the service provider (Audit and Business Risk at Brighton and Hove City Council). This protocol means that the National Park Authority maintains a monitoring record of all recommendations arising from Internal Audit reports which is reviewed and updated in-house, as well as their being regular discussion with Audit and Business Risk on outstanding actions. In addition where recommendations have been made these will be automatically followed-up as part of the next audit review

5.2   The following table provides an analysis of recommendations from previous audit reports where they have not been implemented. For completeness the table below shows the number of recommendations implemented for each review as well as the numbers outstanding. Audits are deleted from this list once all recommendations have been addressed.

**2010/11 Audits**

**Budget Management**

| Status | No. of Recommendations | Comments |
|---|---|---|
| Implemented | 1 | |
| Not Implemented | | |
| Part Implemented | 2 x Medium Priority | These recommendations relate to financial training and development of more detailed budget monitoring reports |

**Programme Management**

| Status | No. of Recommendations | Comments |
|---|---|---|
| Implemented | 5 | |
| Not Implemented | | |
| Part Implemented | 1 x Low Priority | Issue outstanding relates to refinements to the Risk Register |

**Treasury Management**

| Status | No. of Recommendations | Comments |
|---|---|---|
| Implemented | | |
| Not Implemented | 1 x Medium Priority | Issue relates to improvements to cash flow modelling. Initial forecast for 2011-12 completed; model to be refined. |
| Part Implemented | | |

**Declarations of Interests, Gifts and Hospitality**

| Status | No. of Recommendations | Comments |
|---|---|---|
| Implemented | 2 | |
| Not Implemented | 1 x Medium Priority | Framework for declarations for officers has been agreed. Forms to declare gifts and hospitality still to be finalised. |
| Part Implemented | | |

**Procurement**

| Status | No. of Recommendations | Comments |
|---|---|---|
| Implemented | | |
| Not Implemented | 1 x Low Priority | Relates to enhancements to procurement guidance |
| Part Implemented | 1 x High Priority<br>1 X Medium Priority | The majority of the actions required to meet the High priority recommendation have been implemented. Information related to high value contracts has been collated as recommended. |

## 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.

Contact Officer:        Mark Dallen, Audit Manager
Tel:                    01273 2913414
email:                  mark.dallen@brighton-hove.gov.uk
Appendices              Appendix 1, Assurance Opinions - Definitions

SDNPA Consultees        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.<br><br>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.<br><br>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.<br><br>A high number of key risks remain unidentified and/or unmanaged. |