

Report to	<b>Audit Committee</b>
Date	<b>18 January 2012</b>
By	<b>Chief Finance Officer</b>
Title of Report	<b>Internal Audit Progress and Implementation Report</b>
Purpose of Report	<b>To update the Audit Committee on the work of Internal Audit and progress against the Internal Audit Plan 2011/12</b>

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**Recommendation: The Committee is recommended**

- 1) to note progress against the Internal Audit Plan and the implementation of recommendations previously made.**
  - 2) approve the proposed amendment to the 2011/12 Internal Audit Plan (paragraph 3.10)**
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**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 system for internal control in accordance with 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 to deliver this service ensuring 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 Four reports have been finalised since the last report to the Audit Committee. Details of this report are below.

<b>Audit Review</b>	<b>Assurance Opinion</b>	<b>Number of Recommendations and Priority</b>
Budget Management	Substantial Assurance	Total: 5 5 x Medium

Procurement	Limited Assurance	Total: 3 1 x High Priority 2 x Medium Priority
IT Infrastructure and Data Security	Limited Assurance	Total 7 3 x Medium 4 x Low
Creditors	Reasonable Assurance	Total: 2 2 x Medium

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

- 3.2 The Procurement Audit gave Limited Assurance. The review included the follow-up on issues identified in the 2010/11 audit and the selection of a sample of new procurements against approved corporate controls, including Contract Standing Orders.
- 3.3 The main issue identified was that it was still identified (with specific procurements) that the required number of quotations or tenders were not being obtained. These controls are important in ensuring Value for Money (VFM) and transparency in the Authority's procurement processes.
- 3.4 We were provided with information to indicate that procurement arrangements are being improved to resolve these type of control weaknesses. In addition a new Head of Procurement (in post since July 2011) and has undertaken training sessions to launch a revised corporate Procurement Guide. We understand work is continuing to engage stakeholders, to promote the Procurement Guide and to continue to embed procurement processes.
- 3.5 The 3 recommendations made have all been agreed.
- 3.6 The IT Audit was also given Limited Assurance. The review was wide ranging covering a number of key areas including Information Security, Back-up and Recovery, Business Continuity and capacity Planning and Management. The report contains 7 recommendations, relating to the following:-
- IT Acceptable Use Policy and Home Working
  - Validity of User Accounts
  - Business Continuity
- 3.7 The Creditors Audit concludes Reasonable Assurance. The main issue arising was that although improved processes for the authorisation of orders have now been put in place this improvement has not operated for the whole of the 2011/12 financial year.
- Audits started in Quarter 3 (September to December 2011)
- 3.8 The following audits have commenced this quarter
- Planning Service: (Review of Implementation arrangements)
  - Treasury Management
- Audits due to commence in Quarter 4 (January to March 2012)
- 3.9 The audit of Payroll is planned to commence and be completed in Quarter 4 as previously advised. An audit of Health and Safety will also be undertaken during this quarter (see paragraph 3.10 below).
- Changes to the Audit Plan
- 3.10 It is proposed that subject to final agreement of this Committee, the audit of Business Continuity is replaced with an audit review of Health and Safety to be completed in quarter 4 of the 2011/12 financial year.

3.11 The change recognises that there is still work to be carried out to ensure effective business continuity arrangements are implemented at the Authority, part of this risk being highlighted in the IT Audit review. The change also recognises that Health and Safety is a key risk which warrants inclusion in this years plan.

3.12 An audit review of Business Continuity will be again considered for inclusion in the 2012/13 Internal Audit plan.

#### 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 is in place between the National Park Authority and the service provider (Audit and Business Risk at Brighton and Hove City Council).

5.2 The following table provides an analysis of recommendations from previous audit reports where they have not yet 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.

#### 2011/12 Audits

Human Resources		
Status	No. of Recommendations	Comments
Implemented	4	
Not Implemented	1 x Medium Priority	The recommendation relates to the arrangements for advancement within pay grades. The Director of Corporate Services will carry out a review due by the end of March 2012

ICT Infrastructure and data security		
Status	No. of Recommendations	Comments
Implemented	3	
Not Implemented	2 x Medium Priority 2 x Low Priority	Policies to be updated and launched. Outstanding actions relating to unused IT accounts.

Budget Management		
Status	No. of Recommendations	Comments
Implemented	2	
Not Implemented	3 x Medium Priority	1 x recommendation on Training and Development not yet scheduled for implementation 1 x recommendation on acquisition of commitments system not yet scheduled for implementation 1 x recommendation on salary monitoring was not agreed with an alternative control being accepted by management

<b>Procurement</b>		
<b>Status</b>	<b>No. of Recommendations</b>	<b>Comments</b>
Implemented	1	
Not Implemented	1 x Medium Priority 1 x High Priority	Deadline for implementation not until 31/3/2012. Outstanding issues relate to implementation of Contracts Register and ensuring that the required number of tenders or quotations are both obtained for all procurements

## **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:	<a href="mailto:mark.dallen@brighton-hove.gov.uk">mark.dallen@brighton-hove.gov.uk</a>
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.  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.