

South Downs National Park Authority

Internal Audit Annual Report and Opinion 2011/12

May 2012

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Introduction

Purpose of the report

- 1 This report summarises the internal audit work undertaken by Audit & Business Risk during the financial year 2011/12, in particular the outcomes of audit reviews and management actions. The report includes the Audit Manager's Annual Opinion on the National Park 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 2011, 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 added value 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 original 2011/12 Audit Plan included nine specific audit reviews. A total of nine reviews were carried out plus one investigation. Other days in the original 2011/12 agreed Internal Audit Plan were for assistance with the preparation of the Annual Governance Statement, Risk Management Workshops and Advice and an allowance for Audit Planning and Audit Committee Support.
- 8 The original plan included a total of 57 days. A total of 55 days were used.
- 9 The service is delivered by audit staff from Brighton and Hove City Council with one review being carried out by the Internal Audit Service from Hampshire County Council. There were no significant resourcing issues during this year.

Annual Opinion

- 10 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 2011/12
 - Follow-up action taken following agreement and issue of final audit reports
 - 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

11. We are satisfied sufficient assurance work has been carried out to form an 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.
12. Our annual opinion is as follows:-

13. 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 31 March 2012.
14. Our audit work during the year has highlighted some weaknesses and specific actions for improvement of the control environment. We will continue to work closely with management to ensure the implementation of these actions within appropriate timescales.

Internal Audit Coverage and Output

15. Table 1 summarises the audit opinions in the 2011/12 reviews and the number of recommendations made. Where audits were carried out in the preceding financial year the direction of travel is also shown.

Table 1.

Audit	Report Status	Assurance 10/11	Assurance 11/12	Direction of Travel	No. of Recommendations
Procurement	Final	Limited	Limited	<input type="checkbox"/>	3
Payroll	Final	Reasonable	Reasonable	<input type="checkbox"/>	5
Creditors/ Accounts Payable	Final	Substantial	Reasonable	<input type="checkbox"/>	2
Budget Management	Final	Substantial	Substantial	<input type="checkbox"/>	5
Treasury Management	Final	Full	Substantial	<input type="checkbox"/>	1
IT Infrastructure and Data Security	Final	Not audited	Limited	N/A	6
Planning Service – Review of Implementation Arrangements	Final	Not audited	Reasonable	N/A	10
Human Resources	Final	Not audited	Reasonable	N/A	4
Health and Safety	Final	Not audited	Reasonable	N/A	6

Fraud and Irregularities

16. There were no allegations of frauds or irregularities identified or brought to our attention during 2011/12.

Unplanned Audits

17. An investigation was carried out into specific shortfalls in the National Park Authority's procurement and payment processes, which were highlighted through routine budget monitoring and were informed by our work on procurement during the previous financial year, 2010/11. The outcome of this investigation was reported as a Part II, Confidential Item at the 20 June 2011 Audit Committee.
18. There was one approved change to the plan being the substitution of the audit of Health and Safety for a planned audit review of Business Continuity Planning.

Support to the Audit Committee and other Corporate Support

19. Support was provided to the Audit Committee during the year in accordance with the 2011/12 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. Two of the 2011/12 Internal Audit Reviews resulted in "Limited Assurance" audit opinions. These were the audits of Procurement and IT Infrastructure and Data Security.
21. The conclusion on the Procurement Audit of Limited Assurance was disappointing, as the same opinion had been given in the review in 2010/11. Part of the reason was that the review was undertaken early in the year and captured residual shortfalls from the previous arrangements that were in place. The main issue identified was that there were still shortfalls with the procedures operated with regard to specific procurements. These controls are important in ensuring VFM and transparency in the Authority's procurement processes.
22. Arrangements are in place to ensure that the recommendations made have been implemented. A further audit review of this area will be carried out in 2012/13.
23. The audit of IT Infrastructure and Data Security was wide ranging covering a number of key areas including Information Security, Back-up and Recovery, Business Continuity and Capacity Planning and Management. The Limited Assurance conclusion was because of the identification of specific shortfalls in the following areas.
 - IT Acceptable Use Policy and Home Working
 - Validity of User Accounts
 - Business Continuity
24. The recommendations from this review have been implemented with one exception that is programmed to be addressed by the new IT Service Provider.

25. The largest allocation of days was spent on the review of the Planning Service – Implementation Arrangements where 10 recommendations for improvement were made.
26. When comparing our work in 2010/11 to that in 2011/12 assurance levels on two audits have declined whilst on the others it has remained statistic.
27. The most common audit opinion given is Reasonable Assurance. This is at least partially likely to reflect the increase in transaction volumes in some systems together with some changes to the staffing and systems within the National Park Authority. Ongoing development is required to ensure that these systems provide a robust and resilient framework in the future
28. The majority of the 42 recommendations made were medium priority recommendations. The recommendations made may be categorized as below. A similar number of recommendations were made in 2010/11. (Table 2).

Table 2.

Type Of Recommendations	Total Number
Improvements to Policies and Procedures	4
Authorisation Controls	7
Insufficient evidence of transaction, or retention of documentation	2
Issues concerning delegation of authority/ responsibility	2
Improvements to management information	8
Improvements to reconciliations	6
IT Controls	6
Other	7
Total	42

Internal Audit Performance

29. Appendix D of the 2011/12 Internal Audit Strategy and Plan included a number of performance indicators for the delivery of internal audit services.
30. 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 	100%	97%*(1)
Productivity and Process Efficiency	<ul style="list-style-type: none"> Achievement of annual plan (%) 	95% Minimum	100%*(2)
	<ul style="list-style-type: none"> Issue of draft report after completion of fieldwork 	Within 10 Days	78%
	<ul style="list-style-type: none"> Issue of final report after agreement with client of draft 	Within 10 Days	66%

*2 NB Health and Safety replaced business continuity

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 an 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	<p>Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk.</p> <p>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.</p> <p>Not all major risks are identified and/or being managed effectively.</p>
No	<p>Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the Authority.</p> <p>A high number of key risks remain unidentified and/or unmanaged.</p>