

Report to **Standards and Audit Committee**
Date **5 March 2013**
By **Chief Finance Officer**
Title of Report **Internal Audit Progress and Implementation Report**
Purpose of Report **To update the Standards and Audit Committee on the work of Internal Audit and progress against the Internal Audit Strategy and Annual Plan (2012/13)**

Recommendation: The Committee is recommended to:

1) note progress against the Internal Audit Strategy and Annual Plan and the implementation of recommendations previously made

1. Introduction

- 1.1 This report details progress against this plan, reports issued and the implementation of recommendations previously made. This specific report updates on internal audit work undertaken in the first 10 months of the 2012/13 financial year.

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 of internal audit of its accounting records and its system of internal control in accordance with proper practice.'
- 2.2 Proper practice is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government 2006. The requirements of this code will be replaced by the Public Sector Internal Audit Standards from the 1 April 2013. This document is issued by CIPFA in collaboration with the Chartered Institute of Internal Auditors.
- 2.3 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.
- 2.4 The 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 Two reports have been finalised since the last update report in September 2012. Details of these reports are below:

Audit Review	Assurance Opinion*	Number of Agreed Recommendations and Priority
Grant Funding	Reasonable Assurance	Total: 6 Medium: 6
Payroll	Reasonable Assurance	Total: 5 Medium: 4 Low: 1

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

- 3.2 An audit of Grant Funding was finalised in September 2012 and gave reasonable assurance. It included 6 medium priority recommendations. Recommendations were included to address weaknesses in the payments controls and documenting some aspects of decisions made. In addition there were four recommendations relating to the need to improve the monitoring arrangements once grant funding has been awarded.
- 3.3 The Payroll audit concluded reasonable assurance with 5 recommendations of which 4 were medium priority. Whilst there were no significant errors identified, weaknesses with maintaining the authorised signatory list and ensuring only properly authorised documentation is processed for key payroll transactions needs to be addressed. In addition the split in operational responsibilities between SDNPA and Brighton and Hove City Council Staff needs to be documented to avoid control problems emerging.
- 3.4 An unplanned review, requested by this Committee has also been completed on the Set-up of the SDNPA. The draft report resulting from this review is discussed as part of a separate agenda item.
- 4. Audits started in Quarter 3 (October to December 2012) not yet complete**
- 4.1 The IT Audit field work has been completed but the outcome of this review has not yet been reported.
- 4.2 The audit of Planning has been completed and will be reported shortly.
- 4.2 This year's review of Procurement has been completed and the report issued in draft but it has not yet been finalised.
- 5. Changes to the Audit Plan**
- 5.1 None for this period.
- 6. Implementation of Recommendations**
- 6.1 A protocol for monitoring the implementation of Internal Audit recommendations is in place between the SDNPA and the service provider (Audit and Business Risk at Brighton & Hove City Council).
- 6.2 The following table provides an analysis of recommendations from previous audit reports which have not yet been implemented. For completeness the table below shows the number of recommendations implemented for each review as well as the number outstanding. Audits are deleted from this list once all recommendations have been addressed.

Capital Expenditure		
Status	No. of Recommendations	Comments
Not Implemented	1 x Low	Not yet implemented for technical reasons

Creditors		
Status	No. of Recommendations	Comments
Implemented	2x Medium 2 x Low	
Not Implemented	1 x Medium	Will need retesting as part of next years review to confirm

Grant Funding		
Status	No. of Recommendations	Comments
Implemented	4 x Medium	
Not Implemented	2 x Medium	Dependent on procurement of an appropriate software solution

Payroll		
Status	No. of Recommendations	Comments
Implemented	3 x Medium 1 x Low	
Not Implemented	1 x Medium	

7. Resources

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

8. Risk management

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

9. Human Rights, Equalities, Health and Safety

9.1 There are no implications arising from this report.

10. External Consultees

10.1 None

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Appendices Appendix 1 Assurance Opinions - Definitions

SDNPA Consultees Director of Corporate Services, Chief Finance Officer, Deputy Chief Finance Officer, Monitoring Officer, Legal Services, Performance and Business Planning Manager

Background Documents Internal Audit Reports

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 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 of 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 or 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.