Report to	**Governance Committee**
Date	**23 September 2015**
By	**Chief Finance Officer**
Title of Report	**Internal Audit Progress and Implementation Report**
Purpose of Report	**To update the Governance Committee on the work of Internal Audit and progress against the Internal Audit Strategy and Annual Plan (2015/16)**

Recommendation: The Committee is recommended to note progress against the Internal Audit Strategy and Annual Plan (2015/16) and the implementation of recommendations previously made.

1. Introduction

1.1 This report details progress against the Internal Audit Strategy and Annual Plan including reports that have been issued and the implementation of recommendations. The report provides an update on the internal audit work undertaken in the first 5 months of the 2015/16 financial year.

2. Background

2.1 The Internal Audit Strategy and Annual Plan was approved by the Governance Committee on 24 February 2015. It provides the framework to deliver the service, ensuring the most appropriate use of internal audit resources to provide assurance on the Authority's control environment and management of risks.

2.2 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 best professional practice and the expectations of the Authority's External Auditors.

2.3 Proper practice is defined by the Public Sector Internal Audit Standards. These standards are issued by CIPFA together with the Chartered Institute of Internal Auditors.

2.4 The delivery and monitoring of this work plan is core to providing a systematic and risk based approach to the internal audit of the Authority's systems and services.

2.5 The tracking of recommendations ensures that agreed control improvements are implemented.

3. Progress Against the Audit Plan

3.1 Three reports have been issued for the year to date, all of which are currently draft.

Audit Review	Assurance Opinion (*1)	Number Recommendations and Priority (Awaiting management responses)
Creditors	Substantial	1 x Medium
Main Accounting and Budget Management	Substantial	1 x Medium 2 x Low

Audit Review	Assurance Opinion (*1)	Number Recommendations and Priority (Awaiting management responses)
Declarations of Interest, Gifts and Hospitality	Reasonable	4 x Medium 2 x Low

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

3.2 The audit of Declarations of Interest, Gifts and Hospitality concluded reasonable assurance. The review concluded that although the main controls are in place improvements to processes can be made. Specifically there is a need to ensure a wider group of key officers complete an annual return (other than just SMT) and that all returns are kept up to date. There is no process in place to cover declarations for senior interim placements. In addition an example was identified where a (relatively) significant gift was accepted. Although this was declared and formally authorised it is our judgement that this should not have been accepted.

3.3 The audit of Main Accounting and Budget Management concluded substantial assurance. Budget approval processes work correctly and an appropriate budgetary control framework is in place with detailed reports circulated in accordance with an approved timetable. The timeliness of reporting the monitoring reports to Members should be improved.

3.4 Controls with the Creditors system and processes were operating correctly with just one recommendation being made regarding the need to consistently apply an additional control that scrutinises payments over a predetermined amount.

4. Additions to the Audit Plan

4.1 There have been no additions to the plan to date.

5. Deletions or amendments to the Audit Plan

5.1 There have been no deletions or amendments to the plan for the year to date.

6. Summary of progress against the 2015/16 Internal Audit Plan

6.1 The table below provides a summary of progress against the 2015/16 Internal Audit Plan.

Original Plan	Progress to Date
Creditors	Draft report
Main Accounting and Budget Management	Draft report
Declarations of Interest, Gifts and Hospitality	Draft report
Business Continuity	Report being prepared
Planning Income	Not started
Planning (Service Level Agreements)	Terms of Reference agreed. Awaiting a date to start fieldwork
Allowances and Expenses	Audit in progress
IT Audit	Potential scope of audit being discussed with new IT audit partner, Tiaa.

7.   Implementation of Recommendations

7.1   A protocol for monitoring the implementation of Internal Audit recommendations is in place between the SDNPA and the service provider (Internal Audit at Brighton & Hove City Council).

7.2   The following table provides an analysis of recommendations from previous audit reports which have <u>not</u> yet been implemented.

Audit	Recommendations (with priority)	Comments
Planning Income (13/14)	R2. A time recording exercise and other related work should be undertaken across the National Park to help better understand differences in host authority costs and to reduce variations in costs per application for providing the delegated planning service (Medium)	A verbal update was given to the Governance Committee in July 2015, since which time a cross National Park time recording exercise for development management work has commenced and is currently underway. This will continue until November 2015 at which time, time and costs will be evaluated. The 2015/16 audit of Planning Service Level Agreements is currently also in progress.
Planning Income (14/15)	R1. A process for reconciling and identifying Refunds, Unidentified Income and Other Income should be developed to provide additional certainty over the income figures held by both SDNPA and LPA's. (Medium)	Work has commenced to implement this recommendation. Implementation deadline not yet reached.
Planning Income (14/15)	R2. Guidance should be produced to clearly identify the process for reconciling the income held by LPA's and all parties' roles and responsibilities within the process. (Medium)	Work has commenced to implement this recommendation. Implementation deadline not yet reached.
IT Governance (14/15)	R2. Assurances should be sought that all network infrastructure is subject to regular and suitable monitoring and that corrective actions are taken where issues or concerns are identified. (Medium)	Implementation deadline extended. Action commenced. Regular reporting has been requested to identify failed logins as well as a full list of users with access to the SDNPA networks. Ongoing.
IT Governance (14/15)	R5. An ICT Strategy would assist the Authority in formally documenting the strategic fit between the Authority objectives and the provision of ICT services to support these objectives. (Medium)	An outline strategy has been produced. Implementation deadline extended
IT Governance (14/15)	R8. Regular assurance should be sought that only authorised officers have access to the SDNPA networks. (Medium)	Implementation deadline extended. Action commenced. Regular reporting has been requested to identify failed logins as well as a full list of users with access to the SDNPA networks. Ongoing

Audit	Recommendations (with priority)	Comments
IT Governance (14/15)	R10. Assurances should be sought on data security testing and monitoring. (High)	Scheduling meeting with IT suppliers to review 3rd party penetration report. Implementation deadline extended
IT Governance (14/15)	R11. Assurances should be sought that patch management arrangements are robust and fit for purpose. (Medium)	Implementation deadline extended. Action commenced. Regular reporting has been requested to highlight date patches received and date patches applied. Furthermore a request has been made for the datacentres patching policy. Ongoing.
IT Governance (14/15)	R12. Assurances should be sought that all security controls are up to date. (High)	Comments as per recommendation 11 above.
IT Governance (14/15)	R13. Service Continuity Management arrangements should be introduced to ensure that, at a service level, there are plans to ensure service provision in the event of a major ICT outage. (High)	Actions commenced including communication with software suppliers. Implementation deadline extended
IT Governance (14/15)	R14. Arrangements for responding to an ICT Outage at IT Service Level should be formalised (High)	Actions commenced including Communication with software suppliers. Implementation deadline extended
Whistleblowing arrangements (14/15)	R3. Additional actions to ensure that all members are aware of the policy should be considered. (Medium)	Policy will be recirculated once the revised draft of the document has been finalised.

8.   Resources

8.1   The service is being delivered within the original budget and there are no additional resource implications arising directly from this report.

9.   Risk Management

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

10.   Human Rights, Equalities, Health and Safety

10.1   There are no implications arising from this report.

11.   Sustainability

11.1   There are no immediate sustainability implications relating to this report. Where relevant internal audit reviews consider environmental impact and sustainability and the consideration of governance arrangements is incorporated in many audit reviews. Environmental impact and sustainability are considered in the delivery of the audit service and with investment in skills within the audit team to be able to give proper consideration of this agenda.

12.   External Consultees

12.1   None

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Appendices	1. Assurance Opinions - Definitions
SDNPA Consultees	Chief Finance Officer, Head of Finance B&H, Monitoring Officer, Deputy Monitoring Officer, Legal Services, Chief Executive Officer, Director of Governance & Support Services, Director of Strategy & Partnerships, Director of Planning, Director of Operations.
Background Documents	Internal Audit Reports

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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.