

**Agenda Item 7**  
**Report GOV10/17**

Report to	<b>Governance Committee</b>
Date	<b>24 May 2017</b>
By	<b>Internal Auditor</b>
Title of Report	<b>Internal Audit Progress and Implementation Report</b>

**Recommendation: The Committee is recommended to note progress against the Internal Audit Strategy and Annual Plan (2016/17) and the implementation of recommendations previously made.**

**1. Summary and Background**

- 1.1 This report details progress against the Internal Audit Strategy and Annual Plan 2016/17 including reports that have been issued and the implementation of recommendations.
- 1.2 The Internal Audit Strategy and Annual Plan 2016/17 were approved by the Governance Committee on 25 February 2016. It specifies the framework to deliver the service that ensure the most appropriate use of internal audit resources to provide assurance on the Authority's control environment and management of risks.
- 1.3 The plan sets out an annual schedule of those systems, services and functions to be covered. These include the audit of core financial systems.
- 1.4 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.
- 1.5 Tracking of recommendations ensures that agreed control improvements are implemented.

**2. Progress against the Audit Plan for 2016/17**

- 2.1 There has been one report issued since the last Governance Committee meeting. This completes the audit plan for 2016/17.

<b>Audit Plan</b>	<b>Progress to Date</b>	<b>Assurance Level <sup>1</sup></b>
Planning Performance	Final report	Reasonable

<sup>1</sup> Assurance opinions given are defined in **Appendix 1**.

- 2.2 As agreed at 29 September 2016 Governance Committee, a copy of the Executive Summary Report for each audit is now attached at **Appendix 2**. Also, a full copy of the final report is sent to the Chair, Deputy Chair and Independent Members of the Governance Committee.

**3. Additions, deletions and amendments to the Audit Plan**

- 3.1 There have been no changes to the plan during 2016/17.

#### 4. Implementation of Recommendations

- 4.1 **Appendix 3** provides a list of those recommendations from previous audit reports which have not yet been implemented. Of these 4 have not yet reached their implementation due dates and 6 are overdue for action.

#### 5. Other Implications

Implication	Yes/No
Will further decisions be required by another committee/full authority?	No
Does the proposal raise any resource implications?	No. The Internal Audit plan should be delivered within the agreed audit fee.
How does the proposal represent Value for Money?	The Internal Audit Service is an external contract with BHCC which formed part of a wider procurement of financial services.
Are there any Social Value implications arising from the proposal?	No
Has due regard has been taken of the South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	Any such considerations are taken into account with individual audit reviews as appropriate.
Are there any Human Rights implications arising from the proposal?	No.
Are there any Crime & Disorder implications arising from the proposal?	No, but the service includes the provision of advice and investigation of frauds and irregularities when required.
Are there any Health & Safety implications arising from the proposal?	No, but individual audits consider health and safety risks where appropriate.
Are there any Sustainability implications based on the 5 principles set out in the SDNPA Sustainability Strategy: 1. Living within environmental limits 2. Ensuring a strong healthy and just society 3. Achieving a sustainable economy 4. Promoting good governance 5. Using sound science responsibly	No, but individual audits consider these principles where relevant, particularly around the Principle 4, "Promoting good governance"

#### 6. Risks Associated with the Proposed Decision

- 6.1 Internal Audit has an important role to play in relation to effective risk management for the organisation. The SDNPA risk register is considered when developing the Internal Audit Plan and Strategy and the planning of individual audit reviews. Audit review and testing of controls is orientated towards these risks plus the operation controls within individual systems and services.

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Appendices

1. Assurance Opinions – Definitions
2. Executive Summary reports
3. List of recommendations that have not been implemented.

SDNPA Consultees Chief Executive; Director of Countryside and Policy Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services, Head of Governance; Head of Business Services.

External Consultees None

Background Internal Audit Strategy and Plan 2016/17.  
Documents Individual 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 leading 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.

## Executive Summary – Planning Performance

### Introduction

South Downs National Park Authority (SDNPA) is the statutory planning authority for the National Park area. It is the eighth largest planning authority in the country in terms of the number of planning applications received each year and also one of the largest in terms of geographical area.

As the planning authority its role is to control and influence the development of land and buildings within its boundaries. Good planning can safeguard views and dark night skies; support the local economy; promote recreation; enable affordable local housing; and make sure that green spaces are properly valued and cared for.

In 2015/16 performance in respect of major, minor and other planning applications was 80%. As at Q3 2016/17 this performance had improved to 91%.

This audit forms part of the agreed Internal Audit Plan for 2016/17.

### Audit Opinion

**Reasonable assurance** is provided on the effectiveness of the internal controls over the operation of the system.

This opinion means that controls are in place and to varying degrees are complied with but there are some gaps in the process, which weaken the system.

### Key Issues

The paragraphs below summarise the main conclusions arising from the audit review. Where there are any issues that require recommendations to address residual risks these are communicated in full in the detailed report (page 4).

- Work to produce the DCLG quarterly statistical returns is complex. Our walkthrough testing did not identify any errors; however the processes around the preparation of these returns are not fully documented. (Rec: R1)
- Internal monitoring of performance by SDNPA's planning team and the host authorities is under development through the use of data quality reports, from the IT system (Uniform). These enhancements to the monitoring process need to be embedded within the new delegated arrangements. (Rec: R2)
- Performance in relation to appeal outcomes continues to require close attention, remaining static at 42% of appeals allowed. However, absolute numbers are low with 57 appeals up to Q3 of which 23 were allowed and 33 dismissed. The indicator was 38% in 2015/16. It remains unclear as to why performance in this area is significantly below target. (Rec: R3)

**List of recommendations that have not been implemented.**

(All recommendations are graded as High, Medium or Low priority).

**Overdue Recommendations**

<b>Audit</b>	<b>Recommendations (with priority)</b>	<b>Due</b>	<b>Update</b>
Planning Income (2015/16)	(R1) A process for reconciling and identifying Refunds and Unidentified Income should be developed to ensure that the income reconciliation process is complete and effective. (Medium)	01/03/16	Following the departure of key staff, this task has been reassigned and will now be reviewed with methods and processes redesigned for both of these areas. This now has a revised due date of September 2017 (end of Q2).
Planning Income (2015/16)	(R4) A document which clearly identifies the process for reconciling the income held by LPA's and all parties' roles and responsibilities within the process should be produced. (Medium)	01/09/16	Following the departure of key staff, this task has been reassigned and will now be reviewed with methods and processes redesigned for both of these areas. This now has a revised due date of September 2017 (end of Q2).
Planning SLAs (2015/16)	(R1) Changes to be made to the agency fee payments and the wider funding agreements should be treated as a priority by SDNPA, with governance and monitoring structures to reflect this priority. (High)	01/12/16	On 29 November 2016, the NPA agreed to enter new Agreements with willing host authorities and to move towards a payment per case arrangement. To allow this work to be completed, it also agreed to extend the current arrangements with the 5 willing host authorities by 6 months until 30 September 2017. The work is progressing well and it is currently anticipated that this work should be completed by summer 2017 and for new arrangements for those parties which wish to continue with delegation, to come into effect by 1 October 2017.
Purchasing Cards	(R1) That training tailored to SDNPA is developed and rolled out (Low)	30/12/16	The Banking team are in the process of completing this with the Learning & Development team. Revised implementation date May 2017.
Creditors	(R4) A reminder should be issued to all staff that orders should be raised and authorised prior to ordering goods or services. (Medium)	31/03/17	A reminder will be issued to all staff following closedown of 2016/17 payments process.
Procurement	(R1) The Procurement Guide should be reviewed on an annual basis, and in particular should be updated to reflect the current EU thresholds and regulations. (Medium)	31/03/17	The Procurement Guide has been updated and will be approved by OMT on 10 April

**Recommendations not yet due**

<b>Audit</b>	<b>Recommendations (with priority)</b>	<b>Due</b>	<b>Update</b>
Grant Payments	(R1) Procedures for handover and retention of evidence are required when key staff leave. (Medium)	30/06/17	
Planning Performance	(R1) A formal procedure covering the production and submission of the quarterly DCLG statistics, including the (internal) checking of data quality to be produced (Medium)	30/09/17	
Planning Performance	(R2) There is a need to ensure that performance monitoring of data quality is embedded within the new Section 101 agreements with the host local authorities. (Medium)	30/09/17	
Planning Performance	(R3) A review of why the level of appeals allowed is higher than target to be undertaken. (Medium)	30/03/18	

