

Report to	Policy & Resources Committee
Date	24 May 2018
By	Internal Auditor
Title of Report (Note)	Internal Audit Annual Report and Opinion for 2017/18

Recommendation: The Committee is recommended to note the content of the report, specifically:

- 1. The Internal Audit Annual Report, and**
- 2. The Internal Audit Opinion for 2017/18**

1. Introduction

1.1 This report presents the Internal Audit Annual Report and Opinion for 2017/18. It is set out in full at Appendix A and includes:

- The annual opinion on the adequacy and effectiveness of the Authority’s internal control environment.
- Internal Audit coverage and output for 2017/18.
- Summary of audit findings.
- Performance against Key Indicators.

1.2 The opinion contributes to the annual review of governance arrangements and the production of the Annual Governance Statement.

2. Policy Context

2.1 The Accounts and Audit Regulations 2015 require that a “*relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*”. For SDNPA, this is delivered through a contractual arrangement with Brighton & Hove City Council.

3. Issues for consideration

Annual Internal Report and Opinion

3.1 The 2017/18 Internal Audit plan was approved by the Governance Committee at its meeting in February 2017. It included eight specific audit reviews. All reviews were completed by the year-end. There were no amendments or variations to the plan made during the year. Our Annual Report is attached at **Appendix I**.

3.2 Based upon the internal audit work undertaken, our overall opinion is that Substantial Assurance can be provided that an effective system of internal control is in place at South Downs National Park Authority for the year ended 31 March 2018.

4. 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 is 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?	There are no equality issues arising from this report. 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:	No, but individual audits consider these principles where relevant, particularly around the Principle 4, "Promoting good governance"

5. Risks Associated with the Proposed Decision

- 5.1 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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Internal Auditor

South Downs National Park Authority

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Appendices I. Internal Audit Report and Opinion 2017/18

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

External Consultees None

Background Internal Audit Strategy and Plan 2017/18.

Documents Individual audit reports.



South Downs National Park Authority Internal Audit Annual Report and Opinion 2017/18

**K. Downes
Internal Auditor
May 2018**



1. Introduction

- 1.1 This report summarises the internal audit work undertaken during the 2017/18. It also includes the Annual Internal Audit Opinion on the South Downs National Park Authority's internal control environment.

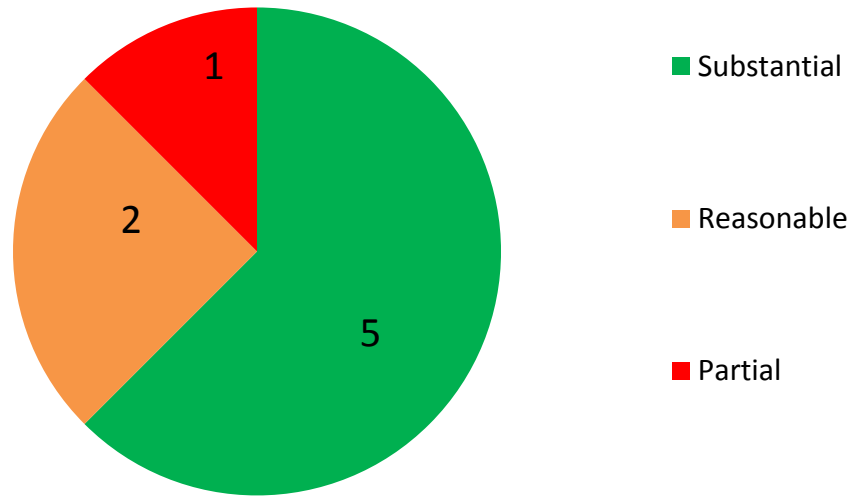
2. Role of Internal Audit

- 2.1 The Accounts and Audit Regulations (England) 2015 require that a relevant authority must ensure that it has a sound system of internal control which
- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - Ensures that the financial and operational management of the authority is effective; and
 - Includes effective arrangements for the management of the risk.
- 2.2 Under Regulation 5 a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 2.3 Under Regulation 6 a relevant authority must, each financial year, conduct a review of the effectiveness of the system of internal control required by Regulation 3; and prepare an annual governance statement.
- 2.4 For clarity, the SDNPA is a 'relevant authority' by virtue of section 2 of and schedule 2 to the Local Audit and Accountability Act 2014.
- 2.5 The service is provided by Brighton & Hove City Council's Internal Audit Service. 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.
- 2.6 The work also assists the Chief Finance Officer in the discharge of his responsibilities as the Section 151 Officer and is a key source of information for the production of the Annual Governance Statement.

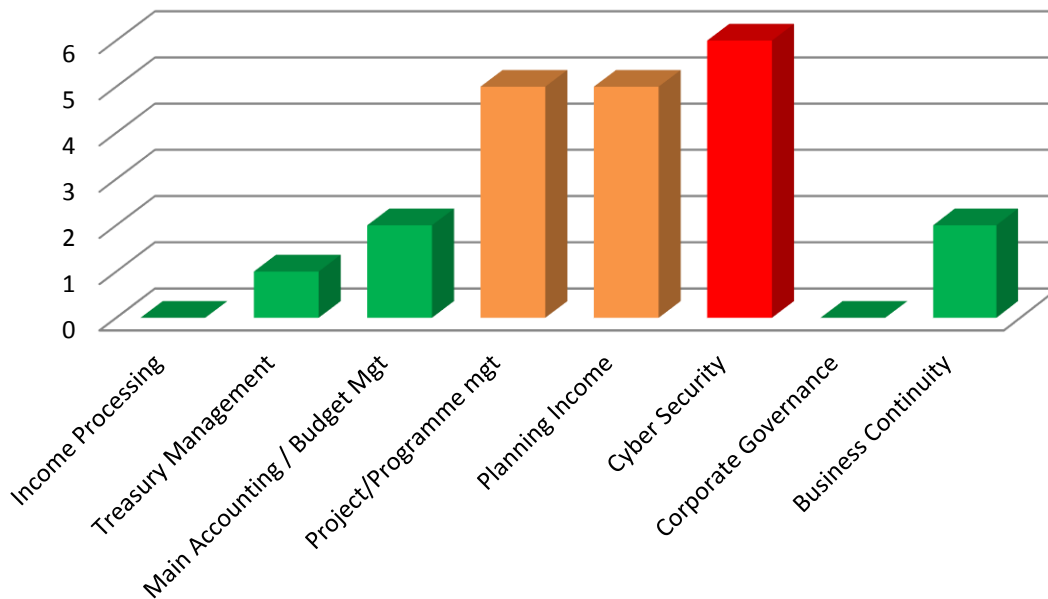
3. Overview of Internal Audit work in 2017/18

- 3.1 The 2017/18 Internal Audit Plan was fully completed by the year-end. There were no amendments or variations to this made during the year.
- 3.2 No frauds or irregularities were reported or investigated by the Internal Audit team during the year.
- 3.3 There were no unplanned audit reviews undertaken during the year.
- 3.4 Ad-hoc support was provided to Officers and the Committee during the year, including preparation of the audit plan, monitoring and reporting audit progress throughout the year, as well as responding to reports and papers received for consultation/comment.
- 3.5 There were eight specific audits undertaken, with 28 recommendations made, as shown in the infographic below. All recommendations made were agreed with management. The implementation of these, together with any carried forward actions from previous years was reported to this Committee during the year. Any recommendation not yet implemented will continue to be flagged through our regular progress reports.

**2017/18 Internal Audit Reports
(Assurance Ratings)**



**Number of Recommendations
(High & Medium priority only)**



3.6 The internal audit coverage continues to balance the priorities for auditing key financial systems with the audit of operational processes on a cyclical basis. Specific provision is also made for one IT audit during the year. The table below shows the level of audit coverage over the past three years and the planned programme for 2017/18.

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Audit area	18/19 planned	17/18	16/17	15/16
Creditors	scheduled	No audit	Substantial	Substantial
Capital Accounting	scheduled	No audit	No audit	No audit
Main Accounting /Budget Mgt		Substantial	No audit	Substantial
Planning Income		Reasonable	No audit	Reasonable
Planning (SLAs)		No audit	No audit	Reasonable
Allowances and Expenses		No audit	No audit	Reasonable
Business Continuity		Substantial	No audit	Reasonable
Declarations of Interest, Gifts and Hospitality, Code of Conduct	scheduled	No audit	No audit	Reasonable
Procurement		No audit	Substantial	No audit
Treasury Management		Substantial	No audit	No audit
Income Processing		Substantial	No audit	No audit
Corporate Governance Processes		Substantial	No audit	No audit
Payroll	scheduled	No audit	Substantial	No audit
Grant Payments		No audit	Substantial	No audit
IT Audit *	scheduled	Partial	Reasonable	No audit
Health and Safety		No audit	No audit	No audit
Planning Performance		No audit	Reasonable	No audit
Purchasing Cards		No audit	Limited	No audit
Project/Programme Mgt		Reasonable	No audit	No audit
Community Infrastructure Levy	scheduled	No audit	No audit	No audit
Performance Reporting	scheduled	No audit	No audit	No audit

* each year a different IT area is selected for review.

4. Annual Opinion

4.1 Our annual assurance opinion is based on the internal audit work carried out during the year, together with our knowledge and understanding of the governance and control environment of the Authority. In assessing the level of assurance given, we have considered the following:

- Internal audit work completed during 2017/18;
- Follow-up action taken following agreement and issue of final audit reports;
- The audit opinions we have given in internal audit reports;
- Any high or medium priority recommendations not accepted by management and hence the consequential unmitigated risks;
- The impact of significant changes to the internal control environment, and
- That our work undertaken has been of a professional standard in accordance with the Public Sector Internal Audit Standards.

Based upon the internal audit work undertaken, our overall opinion is that **Substantial Assurance** can be provided that an effective system of internal control is in place at South Downs National Park Authority for the year ended 31 March 2018.

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4.2 Where our audit work has highlighted specific weaknesses, recommendations have been made in the individual audit reports. We will continue to work with management to ensure the implementation of these actions within appropriate timescales.

5. Summary of audit activity

5.1 Eight audits were completed during 2017/18. Five concluded Substantial Assurance, with no significant concerns raised.

5.2 The review on Cyber Security was the only Partial Assurance report issued during 2017/18. Detail was provided to the committee under a Part 2 agenda report during the year. Key issues around infrastructure, security and governance were highlighted and actions have been taken during the year to mitigate these.

5.3 The audit of Project/Programme Management, concluded Reasonable Assurance. The report highlighted issues over the financial management of projects, including when SDNPA is a partner in a larger project arrangement. Also, the lack of project management expertise was identified. This has been addressed through the recruitment of a specialist project manager.

5.4 The Planning Income audit also concluded Reasonable Assurance. Our testing showed that historical reconciliations had not been completed, meaning that outstanding balances from Local Planning Authorities had not been sought. Improvements to the reconciliation process have now been made.

6. Key Performance Indicators

6.1 Appendix D of the Internal Audit Strategy and Plan include a number of performance indicators for the delivery of the internal audit service. Performance against these for 2017/18 is shown below.

Aspect of Service	Performance Indicators	Target	Delivered
Cost and Quality of Input	<ul style="list-style-type: none"> Planned days delivered 	<ul style="list-style-type: none"> 100% 	<ul style="list-style-type: none"> 100%
Productivity and Process Efficiency	<ul style="list-style-type: none"> Achievement of annual plan (%) 	<ul style="list-style-type: none"> 95% Minimum 	<ul style="list-style-type: none"> 100%
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards 	<ul style="list-style-type: none"> 100% compliant 	<ul style="list-style-type: none"> Externally assessed as compliant
Our Staff	<ul style="list-style-type: none"> Professionally Qualified Annual Training & Development Received 	<ul style="list-style-type: none"> 80% 5 Days 	<ul style="list-style-type: none"> 100% 6.7 days

7. Internal Audit – Assurance Levels

7.1 Our reporting includes an opinion on how well the internal control environment is operating. There are four categories, and the definitions for each are detailed in the table below.

Categories of Assurance	Assessment
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.