Report to	**Policy & Resources Committee**
Date	**27 February 2018**
By	**Kathleen Downes – Internal Auditor**
Title of Report **(Note)**	**Internal Audit – Progress Report**

Recommendation: The Committee is recommended to note progress against the Internal Audit Strategy and Annual Plan (2017/18) and the implementation of recommendations previously made.

1. Introduction

1.1 This report details progress against the Internal Audit Strategy and Annual Plan 2017/18 including reports that have been issued and the implementation of recommendations

1.2 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.

1.3 Tracking of recommendations ensures that agreed control improvements are implemented.

2. Policy Context

2.1 The Internal Audit Strategy and Plan, which was approved by Governance Committee on 21 February 2017 provides a key mechanism for providing assurance that the Authority's internal control, risk management and governance arrangements are effective.

2.2 The Accounts and Audit Regulations 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*".

3. Issues for consideration

Progress against Audit Plan for 2017/18

3.1 There have been 4 reports issued since the last progress report to this committee.

Audit Title	Status	Assurance Level [1]
Business Continuity	Final report	Substantial
Income Processing	Final report	Substantial
Project/Programme Management	Final report	Reasonable
Planning Income	Final report	Reasonable

[1] Assurance levels are defined in **Appendix 1.**

3.2 A copy of the Executive Summary for each audit is attached at **Appendix 2.**

3.3   There have been no changes made to the 2017/18 Internal Audit Plan.

Action Tracking

3.4   **Appendix 3** provides a list of those recommendations from previous audit reports which have <u>not</u> yet been fully implemented. Of these 9 have not yet reached their implementation due dates and 8 are overdue for action.

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 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 Brighton & Hove City Council which formed part of a wider procurement of financial services.
Are there any Social Value implications arising from the proposal?	No
Have you taken regard 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 Data Protection implications?	No, but individual audits consider GDPR issues 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 Strategy and Plan 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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For South Downs National Park Authority

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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 Policy and Management; Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services, Head of Governance; Business Service Manager
External Consultees	None
Background Documents	Internal Audit Strategy and Plan 2017/18. Individual audit reports.

Assurance Level Opinions - Definitions

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.

Executive Summaries

Business Continuity

1.   Introduction

1.1   Business Continuity (from the Civil Contingencies Act 2004) is defined as 'the strategic and tactical capability of an organisation to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable pre-defined level'. It is in place to minimise disruption to services during an incident, ensure continuation of critical services at an acceptable level, and to resume full services as soon as possible after the incident.

1.2   SDNPA's Business Continuity arrangements were subject to an internal audit review in 2015/16. The internal audit report, issued in September 2015, provided the audit opinion of 'Reasonable Assurance' over the Authority's arrangements.

1.3   This audit is part of the agreed Internal Audit Plan for 2017/18.

2.   Scope

2.1   The scope of the audit was to ensure:

- A robust strategic business continuity policy which is supported by operational procedures and service specific planning;
- Links between the authority's strategic risk register and business continuity plan.

3.   Audit opinion

3.1   **Substantial Assurance** is provided in respect of Business Continuity. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

4.   Basis of Opinion

4.1   We have been able to provide Substantial Assurance over the controls operating within the area under review because:

- A Business Continuity plans (BCP) has been documented and it has been approved by SMT. There is a system for reviewing and updating the BCP as well as for considering new and emerging risks.
- As part of the development process, SDNPA reviewed its functions and identified those considered as business critical. For each critical service, a Business Impact Analysis has been carried out.
- Responsibilities are clearly set out in the BCP which also provides guidance on actions required following invocation of the BCP, communications protocols, building specific incident plans and includes Incident Log Sheet.
- By discussion it was confirmed that all recommendations made in the September 2015 report have been implemented.

5.   Action Summary

Risk Priority	Definition	No
High	Major control weakness requiring immediate implementation	0
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	2
Low	Represents good practice but its implementation is not fundamental to internal control	1
	Total number of agreed actions	3

<u>**Income Processing**</u>

1. Introduction

1.1 South Downs National Park Authority (SDNPA) uses Civica ICON e-returns system as the method of reporting and coding income electronically.

1.2 The Banking & VAT Team within Brighton & Hove City Council currently undertakes the income and banking reconciliation on behalf of SDNPA.

1.3 Values processed via ICON on behalf of SDNPA mainly comprises of contributions from other Local Authorities, other contributions (such as from Nature Improvement Area), venue /room hire, and other miscellaneous income.

1.4 The previous internal audit report (issued in February 2015) provided the audit opinion of 'Substantial Assurance' over the Authority's arrangements, no recommendations were made.

1.5 This work forms part of the 2017/18 Internal Audit Plan.

2. Scope

2.1 The objective of the audit was to provide assurance that controls are in place and are operating as expected to manage key risks. Specifically that:

- Financial Controls are in place to ensure income recorded into ICON is correct, and is subject to a regular reconciliation to the bank statement.
- The banking process documentation is accurate, complete and timely.

3. Audit opinion

3.1 **Substantial Assurance** is provided in respect of Income Processing (e-returns). This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

4. Basis of Opinion

4.1 We have been able to provide Substantial Assurance over the controls operating within the area under review because:

- We were able to establish that a defined process is in place to ensure that SDNPA e-return income is subject to a (manual) reconciliation monthly to ensure all income received is banked in full on a timely basis. We note that due to unplanned staff absence within the Banking team the July 2017 reconciliation was delayed until the following month.
- Ten e-returns (spread across 2017/18 to date and totalling £217k) were selected for sample testing. In each case we were able to verify that income schedules could be matched to collection receipts, these had been entered correctly onto the ICON e-returns system, had been subject to reconciliation by the Banking Team to the general ledger, and could be traced to the bank statement.
- The majority of e-returns relate to Planning Application Fees, which is recorded into Uniform/IDOX by the Development Management Technical Support Team at SDNPA. Where other income is received (cash or cheques) a separate spreadsheet record is updated prior to banking, however it is recommended that an independent verification of cash received should be undertaken.

5. Action Summary

Risk Priority	Definition	No
High	Major control weakness requiring immediate implementation	0
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	0
Low	Represents good practice but its implementation is not fundamental to internal control	1
	Total number of agreed actions	1

Project/Programme Management

1.   Introduction

1.1   The purpose of this audit is to review the overall control framework operating for Programme Management and a sample of individual projects.

1.2   The Authority's Programme Management was subject to an internal audit review in 2010/11. This was carried out during the Authority's shadow year. The internal audit report, issued in September 2015, provided the audit opinion of 'Reasonable Assurance' for these areas.

1.3   As at the end of August 2017 the accounts are showing a net expenditure figure of £191k has been spent against a full year budget of £419k. This includes an income figure of £57k received against a full year income target of £213k.

1.4   This audit is part of the agreed Internal Audit Plan for 2017/18.

2.   Scope

2.1   The scope of the audit was to:

- Ensure that the programme management framework/approach is robust;
- Ensure that there is adequate co-ordination and prioritisation of resources to deliver the programmes across the authority;
- Establish that there is a robust communication strategy in place to report on all major projects.

3.   Audit opinion

3.1   **Reasonable Assurance** is provided in respect of Programme/Project Management. This means most controls are in place and are operating as expected to manage key risks over the control environment within this process.

4.   Basis of Opinion

4.1   We have been able to provide Reasonable Assurance over the controls operating within the area under review because:

- There is good governance and effective processes for the co-ordination, reviewing and approval of major projects linked to the Authority's corporate objectives;
- Two projects that were looked at in more detail (Heathlands Reunited & Secrets of the High Woods) identified areas of weakness within the local financial management aspect of the project. This was also reported in an external evaluation of one of the projects. The financial support provided by Brighton & Hove City Council plays a significant contribution in the overall monitoring and carry-forward of grant funding including acting as a prompt when financial returns are due to the grant bodies.
- However, this will only cover SDNPA's expenditure and will not include other Partner's expenditure which we have identified as an area of weakness and potential risk if it is not addressed locally.
- The majority of projects have a project lead that is specialised within the project area but may not specifically have the necessary project management skills and experience. This is being addressed through a business case for a dedicated project manager to work across all of the major projects to effectively co-ordinate, monitor and report on the cost, quality and time and thereby reduce the risk of a project failing.
- The 1st quarter's progress report to P&R committee was reviewed. Improvements around the inclusion of key milestone dates and finance data could strengthen the report to enable robust scrutiny and effective challenge by members.

5.   **Action Summary**

Risk Priority	Definition	No
High	Major control weakness requiring immediate implementation	0
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	5
Low	Represents good practice but its implementation is not fundamental to internal control	0
	Total number of agreed actions	5

Planning Income

1. **Introduction**

1.1 South Downs National Park Authority (SDNPA) is a statutory planning authority, with responsibility for all planning applications and other planning matters within the National Park boundary.

1.2 To deliver this service the SDNPA works with 5 of the 14 Local Authorities operating within the Park, these Authorities retain the responsibility for the day-to-day processing and determination of the majority of all planning applications. SDNPA deal with all planning applications for the remaining Local Authority areas, also managing the more significant planning developments across the whole National Park area.

1.3 Income from planning was £925,819 in 2016/17.

1.4 The previous internal audit report (issued in February 2015) provided the audit opinion of 'Substantial Assurance' over the Authority's arrangements, no recommendations were made.

1.5 This work forms part of the 2017/18 Internal Audit Plan.

2. **Scope**

2.1 The objective of the audit was to provide assurance that controls are in place and are operating as expected to manage key risks. Specifically that:

- Financial systems and arrangements are sufficient to ensure that all income relating to planning application fees is promptly received and correctly accounted for.

3. **Audit opinion**

3.1 **Reasonable Assurance** is provided in respect of Planning Income. This opinion means that the most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

4. **Basis of Opinion**

4.1 We have been able to provide Reasonable Assurance over the controls operating within the area under review because:

- The majority of controls in place to ensure all income due to SDNPA is collected, banked and received in a timely manner. However the previous three quarterly reconciliations are not yet closed off as confirmation of outstanding balances from the Local Planning Authorities has not been sought and these are therefore un-invoiced.
- Roles and responsibilities (including timelines) for both parties are not clearly defined.
- Improvements are required to the reconciliation record to clearly demonstrate income received through the general ledger.
- There are currently no clear processes for variations to expected income and both these and fee refunds are not included within reconciliations. This may distort the figures assumed to be held by Local Planning Authorities.

5. **Action Summary**

Risk Priority	Definition	No
High	Major control weakness requiring immediate implementation	0
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources	5
Low	Represents good practice but its implementation is not fundamental to internal control	0
	Total number of agreed actions	**5**

<u>**List of recommendations that have not yet been implemented**</u>

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

Overdue Recommendations

Audit	Recommendations (with priority)	Due	Update
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	Following changes to the S101 claim regime, and the necessity for host LA data to be as clean as possible to support their claims, a range of MS Access based "checks" in relation to validation, extension of time, identifying anomalies between development and application type has been created, so the processes previously shown to audit have largely been superseded. Once the MS Access checks are complete, these will be documented fully. Anticipated complete 31st March 2018.
Cyber Security	(R3) Formally review Data Loss Prevention to establish whether the risk reduction is proportionate to the risk appetite of SDNPA. Focus will be on the potential breach of PID either by malicious attempt, or accidental loss via insecure means. Where necessary risks will be added to the Corporate Strategy Risk Register to ensure effective governance by the SDNPA Data Protection Officer. (Medium)	31/12/17	IN PROGRESS - Reviewed with SystemHOST at workshop on 3rd October. Patch leads on all unused network ports have already been physically removed. A review document will be completed by the end of February 2018 and any necessary risks added to the Corporate Strategy Risk Register.
Cyber Security	(R9) The ability of staff to access webmail services on SDNPA networks shall be reviewed and mitigation actions developed and/or risks added to the Corporate Strategy Risk Register as necessary. Once on the SDNPA network, internet access (web browsing) is already governed by a content filter. The configuration of internet access will be reviewed with regard to devices connecting to the internet via the SDNPA_Public wifi. Either the SDNPA_Public wifi will also be made subject to access filtering of internet content or risks will added to the Corporate Strategy Risk Register as necessary. (High)	31/10/17	IN PROGRESS - Reviewed with SystemHOST at workshop on 3rd October. The outcomes are as follows: 1) Access to personal webmail from within the SDNPA environment was removed but had to be reinstated after unexpected issues. Testing is currently in progress to remove the access using a different method to that originally planned. It is anticipated that this will be in place for all staff by 12th February 2018. 2) A Watchguard device has been procured and was successfully deployed on 23rd January 2018. All devices connecting to the SDNPA_Public wifi are now subject to web access filtering.

Audit	Recommendations (with priority)	Due	Update
Cyber Security	(R14) SystemHOST is already reviewing log analysis / SIEM as part of internal improvements already identified. The outcomes will be reviewed with SystemHOST and actions developed or risks added to the Corporate Strategy Risk Register as necessary. (Medium)	31/12/17	IN PROGRESS - SystemHOST are internally reviewing SIEM based on the last ISO27001 as an area of improvement. GrayLog software has been deployed and it is currently being evaluated by SystemHOST. The expectation is that it will be possible to review the outcomes with them by the end of March 2018 and then develop actions or add a risk to the Corporate Strategy Risk Register.
Planning Income	(R1) The outstanding balances will be followed up with Local Planning Authorities for Q3 & Q4 16/17 and Q1 17/18 activity and these will be invoiced. (Medium)	31/12/17	Progress has been made: i) o/s issue with Q1 for 16-17 (issued) ii) Q2 was found to be invoiced and all paid - however it has since been discovered that unidetifieied GL items had not been sent to the park for investigation and this has added to the work required. iii) Q3 has been invoiced, but still waiting for some signed returns. iv) Q4 is in progress but some authorities are still attempting to resolve Q2 issues v) Q1 17/18 will commence shortly as will Q2.
Planning Income	(R2) A service agreement between BHCC Finance and SDNPA Planning will be mutually developed and agreed which monitors progress of each reconciliation, including expectations with deadlines. (Medium)	31/12/17	In progress, further meetings required once previously mentioned development complete. Anticipated complete 31st March 2018.
Planning Income	(R4) Following the identification of unreconciled banked income as part of the BHCC reconciliation SDNPA will keep a record of investigations into these values and provide a brief explanation beside each row on the list. When complete this record will be returned to Finance to be retained in the reconciliation folder. (Medium)	31/12/17	In progress, further meetings only required to agree timescales once previously mentioned development complete. Anticipated complete 31st March 2018.
Planning Income	(R5) A documented high level reconciliation back to the overall GL and Uniform totals will be added to the summary tab of the reconciliation worksheet template. Detailed GL data for the quarter will now be included in the spreadsheet as a separate tab. (Medium)	31/12/17	In progress, further meetings only required to agree timescales once previously mentioned development complete. Anticipated complete 31st March 2018.

Actions not yet due

Audit	Recommendations (with priority)	Due	Update
Planning Performance	(R3) A review of why the level of appeals allowed is higher than target to be undertaken. (Medium)	30/03/18	The Performance and Technical team have started this review and will report to Members in Q3 or Q4.
Project / Programme Management	(R1) Review with the Communications Team, how the team wishes to be involved in particular projects. (Medium)	31/03/18	On track
Project / Programme Management	(R2) Project status reporting is being reviewed and standard agendas to cover main aspects of project management to ensure robust discussion and minuted decision making (including timeframes allocated to tasks) are formal and evidenced will be part of this. (Medium)	31/03/18	On track
Project / Programme Management	(R3) Detailed spreadsheet (template) will be kept and reported on to show actual expenditure/income incurred/claimed to include Partners and SDNP's. For the HeRe project detailed spreadsheet is now in place (Q1 claim 2017/18) and will be used to reconcile claim to HLF for the HeRe project. (Medium)	31/03/18	On track
Project / Programme Management	(R4) A revised dashboard for reporting project progress including financial information will be developed and introduced for major projects. (Medium)	30/06/18	On track
Project / Programme Management	(R5) Information and/or updates on major Projects will be linked to the external SDNPA website. (Medium)	30/06/18	On track
Main Accounting & Budget Management	(R1) Following the changes to the governance structure approved at the Authority meeting on the 11 July 2017, Financial Regulations and Standard Financial Procedures will be reviewed. (Medium)	31/03/18	On track
Main Accounting & Budget Management	(R2) The BHCC Finance Team will consult with SMT and the Chair of the Committee regarding the potential for timelier reporting. (Medium)	31/05/18	On track

Audit	Recommendations (with priority)	Due	Update
Cyber Security	(R12) SDNPA to undertake a regular review of the access control lists for folders containing confidential or personal identifiable data, to ensure that access is only provided to those who are authorised and require access for their duties (Medium)	31/03/18	IN PROGRESS - GDPR compliance mandates the creation and regular reviewing of an Information Asset Register (IAR). The initial version of the IAR is currently being finalised. It has been agreed with the SDNPA Data Protection Officer that part of the regular review process will include reviewing that access is only provided to those who are authorised and require access for their duties. The first iteration of access review is on track to take place before 31st March 2018.