

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

Recommendation: The Committee is recommended to note:

- 1) Progress against the Internal Audit Annual Plan (2018/19) and**
- 2) Progress in implementing the agreed audit actions set out in Appendix 3.**

1. Introduction

- 1.1 This report details progress against the Internal Audit Annual Plan 2018/19, 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, services and control environment.
- 1.3 Tracking of agreed actions ensures that control improvements are implemented.

2. Policy Context

- 2.1 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*”.
- 2.2 The Internal Audit Strategy and Plan, which was approved by Policy & Resources Committee on 26/03/2018 provides a key mechanism for providing assurance that the Authority's internal control, risk management and governance arrangements are effective.

3. Issues for consideration

Progress against Audit Plan for 2018/19

- 3.1 There has been one report issued since the last progress report to this committee. Two others are in fieldwork stage; the remainder are not yet due.

Audit Title	Status	Assurance Level ¹
Capital Accounting	Final	Substantial
ICT review	Fieldwork	n/a
Creditors	Fieldwork	n/a
Payroll	Planned for Q3	n/a
Community Infrastructure Levy	Planned for Q3	n/a
Performance Reporting	Planned for Q4	n/a
Code of Conduct	Planned for Q4	n/a

¹ Assurance levels are defined in **Appendix I**.

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

3.3 There have been no changes made to the 2018/19 Internal Audit Plan.

Action Tracking

3.4 **Appendix 3** provides a list of those (High & Medium) recommendations from previous audit reports which have not yet been fully implemented. There are five recommendations which 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?	No equalities issues have arisen during the programme of reviews. 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.

KATHLEEN DOWNES
INTERNAL AUDITOR
for South Downs National Park Authority

Contact Officer:	Kathleen Downes, Principal Auditor (Orbis)
Tel:	01273 291318
email:	kathleen.downes@brighton-hove.gov.uk
Appendices	<ol style="list-style-type: none"> 1. Assurance Opinions – Definitions 2. Executive Summary reports 3. List of agreed actions 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 2018/19. 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 Summary – Capital Accounting

1. Introduction

- 1.1. In March 2018 the Authority Meeting approved the £50k capital investment programme for 2018/19. A zero variance as at December 2017 was reported to the February 2018 Policy & Resources (P&R) committee for the 2017/18 capital programme of £205k. However, approval was sought at the May P&R committee for £144k to be carried forward into the current financial year as a result of slippage.
- 1.2. This review is part of the agreed Internal Audit Plan for 2018/19.
- 1.3. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the main body of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - A capital budget is prepared and approved which accurately reflects estimated expenditure and available resources.
 - Capital expenditure is monitored against approved budgets and reported regularly to management and members (including that slippage is reported at the earliest opportunity).
 - Capital payments and receipts are correctly coded in the accounts (including that controls are in place to ensure only legitimate expenditure is being capitalised).
- 2.2. This review is to ensure that the Authority has effective control over the management of its capital programme including compliance with accounting regulations and other internal controls.

3. Audit opinion

Substantial Assurance is provided in respect of **Capital Accounting 2018/19**. 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

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

- 4.1. The direct revenue funded 2018/19 Capital Programme for £50k was approved in March 2018 by Members. We examined the expenditure incurred and charged to the two 2017/18 capital schemes and their treatment during close down. All expenditure had been correctly classified as capital and approval for £144k slippage was approved at the May 2018 P&R committee.
- 4.2. We found that guidance available on the Intranet for project managers should be improved to ensure the Authority's financial procedures are adhered to.

List of recommendations that have not yet been implemented.

(For recommendations graded as High or Medium priority).

Agenda Item 9 Report PR37/18 Appendix 3

Overdue Recommendations

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	This is now part of a wider review of project processes being carried out in 2018/19
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	This is now part of a wider review of project processes being carried out in 2018/19
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	<p>A revised project status form has been trialled and is being introduced. It was used as part of a mid-project evaluation that was reported to P&R Committee in May 2018.</p> <p>The project Management Officer is working with our financial services provider at Brighton and Hove to produce revised spreadsheets that show more relevant information.</p> <p>Alternatives to the current system are being trialled. PowerBi is potentially going to be used to present project information in future.</p>
Project / Programme Management	(R5) Information and/or updates on major Projects will be linked to the external SDNPA website. (Medium)	30/06/18	Discussions are underway with the Communications Team to agree how best to do this. It is linked to the use of PowerBi.