

Report to	Policy & Resources Committee
Date	28 February 2019
By	Internal Auditor
Title of Report Note	Internal Audit 2018/19 Progress Report

Recommendation: The Committee is recommended to note:

- 1. Progress against the Internal Audit Strategy and Annual Plan (2018/19); and**
- 2. The implementation of audit actions previously made.**

1. Introduction

- 1.1 This report details progress against the Internal Audit Strategy and Annual Plan 2018/19, including reports that have been issued and the implementation of actions.
- 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 actions ensures that agreed control improvements are implemented within agreed timescales.

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 have been two reports issued since the last progress report to this committee. Two others are in fieldwork stage, the rest are not yet due.

Audit Title	Status	Assurance Level ¹
ICT review	Fieldwork, but delayed	TBA
Creditors	Final	Substantial
Payroll	Final	Substantial

Community Infrastructure Levy	Draft report	Reasonable (draft)
Performance Reporting	Planned for Feb/Mar	TBA
Code of Conduct	Planned for Feb/Mar	TBA

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

- 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. However, we have additionally been commissioned by SDNPA to undertake EU grant certification work. To date, we have certified the first claim of the Channel Payment for Ecosystem Services Grant (CPES).

Action Tracking

- 3.4 **Appendix 3** provides a list of those (High & Medium) actions from previous audit reports which have not yet been implemented. There are four which have not yet been completed and now have revised due dates.

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 within 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	No, but individual audits consider GDPR issues where

Protection implications?	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 are orientated towards these risks plus the operational controls within individual systems and services.

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Appendices

1. Assurance Opinions – Definitions
2. Executive Summary reports
3. List of actions that have not yet 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 – Payroll

1. Introduction

- 1.1. The SDNPA payroll service is provided by Brighton & Hove City Council using the Personal Information and Employment Resource (PIER) module that is part of the Midland iTrent payroll system. PIER provides online access to the Payroll system. This covers salary, overtime and other employment related allowances such as travel and subsistence.
- 1.2. The monthly cost of pay is around £458k for 135 employees.
- 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 scope of the review was to provide assurance that controls are in place to meet the following objectives:
 - Starters, leavers & amendments are approved and correctly processed in a timely manner.
 - Controls are in place to ensure that payroll is processed accurately and completely, independently verified, and is correctly recorded in the main accounting system.
 - All claims and reimbursements are legitimate and are processed in accordance with approved policies.
- 2.2 This review is part of the agreed Internal Audit Plan for 2018/19.

3. Audit opinion

Substantial Assurance is provided in respect of Payroll 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 Payroll IT system is a mature system and has not been subject to any significant developments or amendments in the last year.
- 4.2. Controls over starters, leavers and amendments to the payroll were examined and found to be correctly processed in a timely manner.
- 4.3. The BHCC Business Operations Team undertakes a number of validation checks prior to running the SDNPA pay-run. These were reviewed with only one issue that was also raised in the 2016/17 audit review: With a monthly payroll cost of £450k we would expect final approval to be given by a senior member of staff within SDNPA rather than a member of the HR team who is also responsible for processing the starters, leavers & amendments. We would expect the good practice of a separation of duty control for this process to be operating.
- 4.4. Our testing of the August 2018 pay-run confirmed that it had been processed accurately and completely, independently verified, reconciled and correctly recorded in the main accounting system. However, our testing highlighted that all payroll staff have the access rights to unlock and amend data after the monthly lock-down.
- 4.5. Through selecting ten mileage and five expenses claims we were able to confirm that all vehicles used held a valid MOT, current road tax and the correct driver's business

Executive Summary – Payroll

insurance.

- 4.6. We received evidence that four out of five expenses claims are supported with valid receipts.
- 4.7. Seven out of ten questionnaires were returned from managers of which six demonstrated controls to be working as expected to ensure that all claims paid are legitimate, in accordance with approved policies and represent value for money.
- 4.8. With the exception of one claim, all other claims tested had been authorised by a line manager. We consider it good practice for the Chief Executive's claims to be authorised by the Deputy Section 151 officer and not an officer that reports to the Chief Executive.

Executive Summary – Creditors

1. Introduction

1.1. The National Park Authority makes payments through the Civica Financials System hosted by Brighton & Hove City Council. The Creditors IT System uses both the Civica Purchasing and Creditors modules of the Civica Financials application. Supporting documentation is scanned and retained using the Idox EDRM application.

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 objective of the audit is to provide assurance that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives. This was achieved by considering whether:

- There are effective controls over the creation of new suppliers and other amendments to standing data.
- Invoices, including urgent payments, are promptly and correctly processed with adequate authorisation.
- Payment runs are properly authorised.
- In addition, the agreed actions in the previous audit, including those relating to the Procurement Cards audit (issued in 2016) were reviewed.

2.2. This review is part of the agreed Internal Audit Plan for 2018/19.

3. Audit opinion

Substantial Assurance is provided in respect of SDNPA Creditors. This opinion means 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 provided Substantial Assurance over the controls operating within the area under review because key controls are in place however residual risks have been identified and these are included in the report:

- Financial policies and procedures to support the effective operation of the Authority are in place, and although we were advised that these are reviewed annually, the versions posted to the SDNPA website do not provide any evidence of reviews being undertaken.
- Authorisation rights embedded within the Payments system are not always updated when a member of staff leaves the authority. Controls would be strengthened by undertaking an annual review of access rights.
- Whilst it is acknowledged that budget holders receive a monthly e-mail detailing retrospective orders against their budget, between August and October 2018 there was still £93k in orders raised retrospectively. As well as a commitment not being allocated against the budget, the authorisation control is moved to the end of the process where it is less effective. Orders should be raised and authorised in advance of committing to purchase.
- A monthly email is sent to the SDNPA Head of Business Services confirming the level of compliance with the terms and conditions of the procurement card scheme in relation to submitting and authorising transactions. It is however, evident that compliance with these conditions can fall during the summer months and this should be addressed.

List of agreed actions that have not yet been implemented.

(For actions graded as High or Medium priority).

Actions Not Yet Implemented

Audit	Recommendations (with priority)	Due	Update
Project / Programme Management	(R4) A revised dashboard for reporting project progress including financial information will be developed and introduced for major projects. (Medium)	Original - 30/06/18 Revised – 30/04/19	<p>Provided by: Project Management Officer</p> <p>A collaborative review of the project management processes has taken place over the last few months. This has included a review of the financial reporting system from Brighton & Hove. Quarterly progress reports will also provide updated financial and progress reports on all projects. The new project reporting system, Tableau has been introduced to capture this quarterly update and is being used in Q3 to present project information to P&R committee on the 28th February.</p> <p>The Tableau dashboards will be rolled out to other aspects of project monitoring and management such as TPB for use in April 2019.</p>
Project / Programme Management	(R5) Information and/or updates on major Projects will be linked to the external SDNPA website. (Medium)	Original - 30/06/18 Revised – 30/04/19	<p>Provided by: Project Management Officer</p> <p>This work is underway and updates on mapping and project information will be presented on the SDNPA website. There is potential to also link the new Tableau information. This work will be completed by April 2019.</p>
Creditors	As recommended in the internal audit Creditors report dated December 2016, either a VAT invoice should be obtained to support the WKB Nissan Waterlooville CHAPS payment or the reclaimed VAT is reversed. (Medium)	Original - 31/01/19 Revised – 18/03/19	<p>Provided by: Head of Business Services</p> <p>We are asking WKB Nissan Waterlooville for the VAT invoice on the first invoice for the lease on the Nissan Leaf. If they cannot provide this within the next four weeks we will reverse the VAT claimed.</p>
Creditors	Staff should be reminded of the requirement to submit expense reports within four days and authorised within seven days. Consideration should also be given to considering how the low levels of compliance can be addressed when staff are on annual leave. (reminding staff to notify Purchasing Card Administrator when they are going on leave) (Medium)	Original - 31/01/19 Revised – 30/03/19	<p>Provided by: Head of Business Services</p> <p>Business Services staff review the compliance reports provided each month and contact individuals who are not meeting the deadlines, reminding them of the need to do so. When this is due to leave, staff are asked to contact the Purchasing Card Administrator before they take any leave of more than a day or two. We may look at centralising this with a single report when leave recording migrates to the PIER system.</p>