



# INTERNAL AUDIT ANNUAL REPORT & OPINION 2018/19



## 1. Internal Control and the Role of Internal Audit

- 1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Internal Audit Service is set out within our Charter.
- 1.2 For clarity, the SDNPA is an “authority” by virtue of section 2 and schedule 2 to the Local Audit and Accountability Act 2014. The Internal Audit service is provided (through an external contract) by Brighton & Hove City Council as part of the Orbis Partnership.
- 1.3 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.
- 1.4 Annually the Chief Internal Auditor is required to provide an overall opinion on the Authority’s internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

## 2. Delivery of the Internal Audit Plan

- 2.1 The Internal Audit Strategy and Plan is updated each year based on a combination of management’s assessment of risk and our own risk assessment of major systems and other auditable areas. The process of producing the plan involves consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.
- 2.2 In accordance with the plan for 2018/19, a programme of audits was carried out and, in accordance with best practice, this programme was reviewed during the year and where necessary revised to reflect any changes in risk and priority. No changes were made in 2018/19.

## 3. Audit Opinion

- 3.1 No assurance<sup>1</sup> opinion can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **substantial assurance** that the South Downs National Park Authority had in place an adequate and effective framework of governance, risk management and internal control for the period 01 April 2018 to 31 March 2019.
- 3.2 The results of internal audit activities during the year have been generally positive, with just three out of seven reports below the highest level of assurance. No audit activity received minimal assurance during the year.
- 3.3 Where improvements in controls are required as a result of our work, we have agreed appropriate actions with management. These are followed up during the year to ensure successful implementation.

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<sup>1</sup> This opinion is based on activities set out in sections 4 & 5 below. It is important to emphasise it is not possible or practicable to audit all activities within a single year.

#### 4. Basis of Opinion

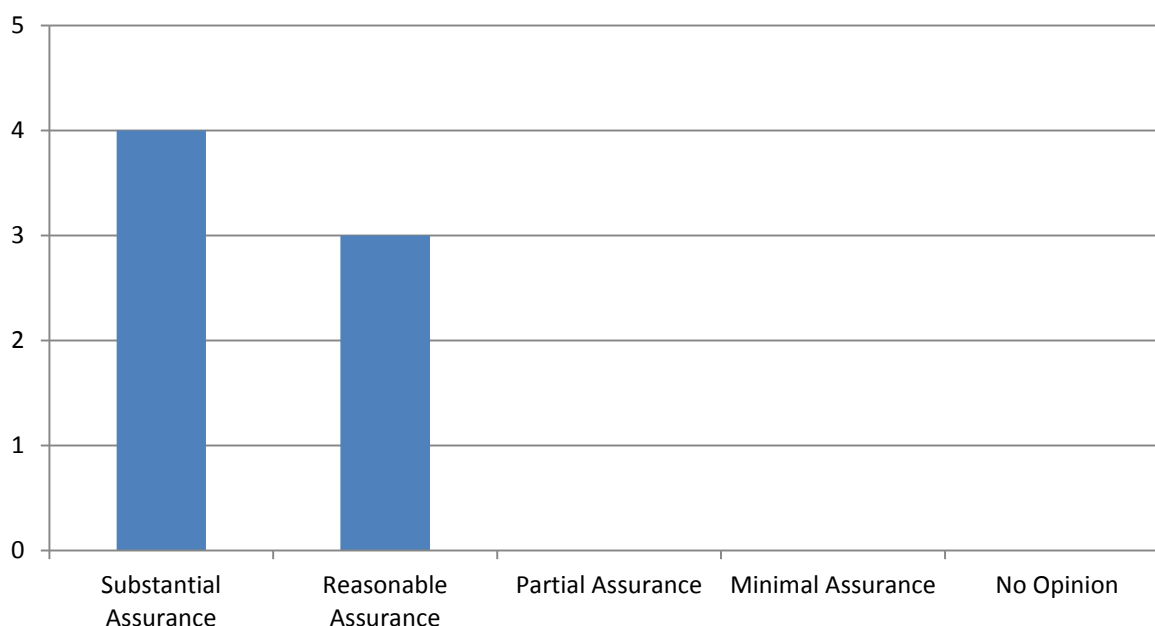
4.1 The opinion given takes into account:

- All audit work completed during 2018/19;
- Follow up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management;
- The extent of resources available to deliver the audit plan;
- Quality of the Internal Audit Service's performance.

4.2 No limitations were placed on the scope of Internal Audit work during 2018/19.

#### 5. Internal Audit Activity for 2018/19

5.1 The overall audit opinion should be read in conjunction with the following. The chart below provides a summary of the outcomes from all audits completed during 2018/19.



5.2 A listing of all completed audits with their opinions, together with the date reported to this committee, is included at Appendix A along with an explanation of the assurance levels.

5.3 Actions arising from these reviews are routinely followed up by Internal Audit and reported to this committee. It is important that management take prompt action to secure improvements in internal control.

#### 6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require internal audit services to be reviewed annually against the Standards, with a full and independent external assessment at least once every five years.

6.2 The Standards cover all aspects of internal audit work and were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed self-assessment in 2019. The results of the SWAP review and the latest self-assessment found a high level of conformance with a small number of minor areas for improvement. Work has taken place to address these issues and are subject to ongoing internal monitoring as part of the Orbis quality assurance and improvement plan.

6.3 At SDNPA, this was further supplemented by a survey of (Policy & Resources Committee) Members to assess the effectiveness of the internal audit function, including an assessment on whether the internal audit function demonstrates:

- integrity;
- competence and professional care;
- independence and objectivity;
- alignment with strategies, objectives and risks of SDNPA;
- appropriate position and adequate resourcing;
- quality and continuous improvement;
- effective communication;
- risk based assurance;
- insightful, proactive and future focused work.

Responses provided positive feedback and highlighted the need for Member training on the role and function of internal audit, and the committee's monitoring role.

#### **Key Service Targets**

6.4 Performance against our agreed targets is set out in Appendix B.

6.5 We have completed 100% of the 2018/19 audit plan, exceeding the target of 90%.

6.6 Internal Audit will continue to liaise with External Audit to ensure that the Authority obtains maximum value from the combined audit resources available.

Summary of Opinions for Internal Audit Reports issued during 2018/19

Audit Title	Assurance Level	Reported to P&R
Capital Accounting	Substantial	September 2018
Creditors (incl P-Cards)	Reasonable	February 2019
Payroll	Substantial	February 2019
Community Infrastructure Levy	Reasonable	April 2019
Code of Conduct (Members & Officers)	Reasonable	April 2019
Performance Reporting	Substantial	April 2019
ICT Review	Substantial	April 2019

Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks for the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks for the achievement of system or service objectives.
<b>Partial Assurance</b>	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.
<b>Minimal Assurance</b>	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.

Internal Audit Performance Indicators 2018/19

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Policy & Resources Committee in March 2018
	Annual Audit Report and Opinion	By end July	G	Received by Policy & Resources Committee in May 2018
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage by year end	90%	G	100%
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Last independent external assessment awarded highest level of conformance. Confirmed in most recent self-assessment
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	n/a	No High Priority Actions in 2018/19
Our staff	Professionally Qualified/Accredited	80%	G	85% (measured across the Orbis IA service)