

Appendix 1

INTERNAL AUDIT ANNUAL REPORT & OPINION 2019/2020



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 Internal Audit Charter.
- 1.2 For clarity, the South Downs National Park Authority (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 Authority’s Internal Audit Strategy and Plan is updated each year based on a combination of management’s assessment of risk (including that set out within the risk registers) and our own risk assessment of the Authority’s 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 audit plan for 2019/20, a programme of audits were carried out and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority.
- 2.3 Whilst it did not make a material difference to our overall audit plan delivery for the year, and our subsequent annual audit opinion, the Coronavirus pandemic meant that the audit of Procurement and Contract Management was suspended and will therefore be considered for inclusion within our 2020/21 audit plan.
- 2.4 Given the ongoing impact of the Coronavirus on our work, it is anticipated that the 2020/21 audit plan will be subject to a comprehensive review, taking into account new risks to the organisation arising from the crisis and previous work that we have been unable to complete.

3. Audit Opinion

- 3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **Substantial¹ Assurance** that the South Downs National Park Authority has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2019 to 31 March 2020.
- 3.2 Further information on the basis of this opinion is provided below.

¹ This opinion is based on the activities set out in this report. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Authority within a single year.

3.3 Where improvements in controls are required as a result of any of our work, we have agreed appropriate remedial action with management.

4. Basis of Opinion

4.1 The opinion and the level of assurance given takes into account:

- All audit work completed during 2019/20;
- Follow up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management;
- Effects of significant changes in the Authority's systems;
- The extent of resources available to deliver the audit plan; and
- Quality of the internal audit service's performance.

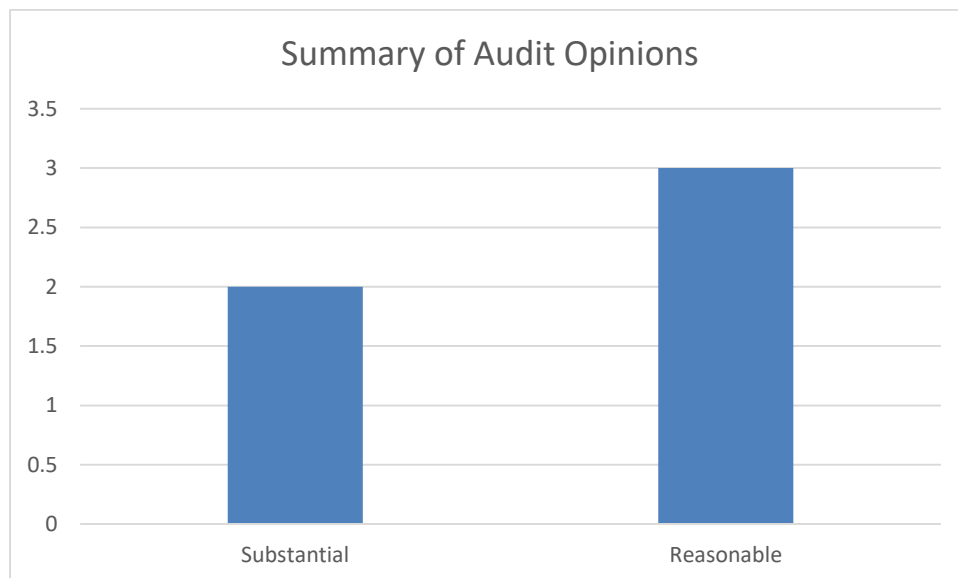
4.2 No limitations have been placed on the scope of Internal Audit during 2019/20.

5. Key Internal Audit Issues for 2019/20

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, should be taken into account when preparing and approving the Annual Governance Statement.

5.2 The internal audit plan is delivered each year, the bulk of our work is delivered through formal reviews with standard audit opinions, with direct support for projects and new system initiatives, grant audits and ad-hoc advice where appropriate. The following graph provides a summary of the outcomes from all audits finalised during 2019/20:

Summary of Audit Opinions



5.3 A full listing of all completed audits and opinions for the year is included in **Appendix B**, along with an explanation of each of the assurance levels. The results of all audit work completed are reported to both the Management Team and Policy & Resources Committee throughout the year.

- 5.4 At the time of producing this report, one planned review (Procurement and Contract Management) has been suspended to avoid putting undue pressure on the organisations Coronavirus crisis response, this audit is unlikely to be completed until later in the 2020/21 financial year.

EU Grant Claim Certification

- 5.5 During 2019/20, we were asked to certify the EU Grant Claim to support the Channel Payment for Eco-System Services grant programme. Through our work, we were able to confirm that 'All claims were correct as input'.

Amendments to the Audit Plan

- 5.6 In accordance with proper professional practice identified within the Public Sector Internal Audit Standards (PSIAS), the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. No changes to the plan, other than the suspension of the Procurement and Contract Management audit have been necessary in 2019/20.

6. Internal Audit Performance

- 6.1 Public Sector Internal Audit Standards (PSIAS) require the internal audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2019/20, including the results of our first independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets. This information can be used by the Policy and Resources Committee in discharging their requirement to conduct an annual review of the effectiveness of Internal Audit.

Public Sector Internal Audit Standards (PSIAS)

- 6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed annual self-assessment, the latest completed in May 2020:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress; and
- Communicating the acceptance of risks.

- 6.3 The results of the SWAP review and our latest self-assessment found a high level of conformance with the Standards with only a small number of minor areas for

improvement. Work has taken place to address these issues, none of which were considered significant, and these are subject to ongoing monitoring as part of our quality assurance and improvement plan.

Internal Quality Review

- 6.4 In addition to the independent external assessment, and the annual self-assessment against the PSIAS standard, our own internal quality review of a sample of SDNPA audit assignments conducted during the year found no areas of non-compliance with our internal processes.

Key Service Targets

- 6.5 Performance against our previously agreed service targets is set out in **Appendix A**. Overall, client satisfaction levels remain high, demonstrated through the results of our post audit questionnaires, discussions with key stakeholders throughout the year and annual consultation meetings with Chief Officers.
- 6.6 We have completed 78% of the 2019/20 audit plan, this is below our target of 90% which reflects the decision to delay the audit of Procurement and Contract Management in response to the emerging Coronavirus pandemic as reported in 5.6 above.
- 6.7 Internal Audit will continue to liaise with the external auditors to ensure that the Authority obtains maximum value from the combined audit resources available.
- 6.8 In addition to this annual summary, Policy and Resource Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

Appendix A

Internal Audit Performance Indicators 2019/20

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	2019/20 Annual Report and Opinion Approved by Policy and Resources Committee on 6 th June 2019.
	Annual Audit Report and Opinion	By end July	G	Approved by Policy & Resources Committee on 23 July 2019.
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	A	78% due to suspending an audit to allow the authority to respond to the Coronavirus pandemic.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings. May 2020 - Internal Self Assessment completed.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
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 falling due in 2019/20
Our staff	Professionally Qualified/Accredited	80%	G	93%

Appendix B**Summary of Opinions for Internal Audit Reports Issued During 2019/20****Substantial Assurance:***(Explanation of assurance levels provided at the bottom of this document)*

- Income Processing
- Treasury Management

Reasonable Assurance:

- VAT
- Asset Management
- Strategic ICT Risk Review

Partial Assurance:

- None

Minimal Assurance:

- None

Other Audit Activity Undertaken During 2019/20

- EU Grant Claim to support the Channel Payment for Eco-System Services

Audits Carried Forward to 2020/21

The following audit was suspended to allow the Authority to respond to the Coronavirus pandemic:

- Procurement and Contract Monitoring

Audit Opinions and Definitions

Opinion	Definition
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.