

Agenda Item 14
Report PR20/21-36

Report to	Policy & Resources Committee
Date	25 February 2021
By	Chief Internal Auditor
Title of Report (Note)	Internal Audit – Progress Report

Recommendation: The Committee is recommended to note:

- 1) Progress against the Internal Audit Strategy and Annual Plan (2020/21).**
- 2) The implementation of audit actions previously agreed by management.**

1. Introduction

- 1.1 This report details progress against the Internal Audit Strategy and Annual Plan 2020/21, including reports that have been issued and the implementation of actions. It also provides an update on the one remaining audit from the 2019/20 Annual Plan, which has now been completed.
- 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 16th July 2020 provides a key mechanism for providing assurance that the Authority's internal control, risk management and governance arrangements are effective.
- 2.3 In order to support the Authority in providing a response to the Covid-19 pandemic, to ensure Internal Audit resources are focused appropriately, the committee proposed and agreed to:
Delegate authority to the Chief Finance Officer in consultation with the Chair of the Committee to amend the Audit Plan 2020/21 as he considers appropriate to support the Authority as it enters the Covid-19 pandemic recovery phase.
- 2.4 Consultations on the Internal Audit Plan continue with the Chief Finance Officer and the Chief Executive, however, no deviations from the approved Internal Audit Plan have yet been considered necessary.

3. Issues for consideration

Progress against Audit Plan for 2019/20

- 3.1 The committee will be aware that the Procurement and Contract Management audit was

not completed in 2019/20, this was agreed with the Chief Finance Officer and Chief Executive to allow the Authority to respond to the emerging COVID-19 pandemic.

- 3.2 This 2019/20 audit has now been completed.

Audit Title	Status	Assurance Level ¹
Procurement and Contract Management	Final Report	Reasonable

Progress against Audit Plan for 2020/21

- 3.3 There has been one report issued since the last progress report to this committee.

Audit Title	Status	Assurance Level ¹
Main Accounting and Budget Management	Final Report	Substantial
Corporate Governance	Final Report	Substantial

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

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

EU grant certification work

- 3.5 Whilst there have been no changes made to the 2020/21 Internal Audit Plan, we have additionally been commissioned by SDNPA to undertake EU grant certification work.

- 3.6 Claim 6 of the Channel Payment for Ecosystem Services ERDF grant for 11,953 Euros, has been certified. This project estimated to cost €70,000 Euros aims to improve the water quality across the SDNPA area. Most of the grant claim was for staff costs and external expertise and services. This project runs for 4 years from July 2017 with the last claim expected to be made in April 2021.

Action Tracking

- 3.7 **Appendix 3** provides a list of those (High & Medium) agreed management actions from previous audit reports which have not yet been implemented. There is one overdue action requiring attention although this is partly complete. We have agreed to extend the implementation date for these actions as response to these have been disrupted due to the Authority response to the COVID 19 pandemic.

- 3.8 There are four actions not yet due for implementation.

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 provided through a 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	No

implications arising from the proposal?	
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 are orientated towards these risks plus the operational 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 extract 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 2019/20.
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

Procurement and Contract Management Arrangements**1. Introduction**

- 1.1. The achievement of value for money when procuring goods and services is a key task to ensure that public money is well spent.
- 1.2. The South Downs National Park Authority's (SDNPA) Corporate Plan for 2019/20 states that it is an organisational priority to drive efficiencies in new contracts and seek continuous improvement within contracts and on the renewal of term contracts, reducing costs and/or enhancing service provision.
- 1.3. This review will cover how commissioning, procurement and contract management arrangements support the achievement of organisational objectives and deliver good value. This will include controls over the use of consultants.
- 1.4. 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.
- 1.5. This audit forms part of the agreed Internal Audit Plan for 2019/20.
- 1.6. 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:
 - All contracts are let in accordance with Contract Standing Orders (CSOs).
 - Effective arrangements are in place to ensure that the contract is delivered in accordance with the contract specification.
 - Consultants are engaged in line with procurement processes to ensure value for money is achieved.

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Procurement and Contract Management 2019/20.** This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

- 4.1. We have been able to provide **Reasonable Assurance** over the key controls operating within the area under review because:
- 4.2. We found that SDNPA has effective arrangements in place for the procurement of contracts and contract management. Adequate arrangements for the commissioning of contracts and use of consultants were also found to be in place.
- 4.3. From a sample of procurement exercises undertaken, we found that the procurement process ensures invitations to tender (ITT) are issued, sufficient number of tenders sought to provide adequate competition, formal evaluation of bids against the cost/quality ratio specified, and award letters issued. Our testing confirmed controls were operating as expected.

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- 4.4. Adequate documentation supporting the rationale of contracts commissioned was available on request including:
- Legally binding contracts were found to be in place to support contract management.
 - Regular meetings are held with suppliers throughout the terms of the contract.
- 4.5. However, there are opportunities to improve aspects of procurement and contract management within SDNPA, these are summarised below:
- 4.6. The Contract Standing Order policy requires updating to ensure compliance with current procurement regulations and mandatory legislation.
- 4.7. The development of a robust process for the submission, monitoring and approval of declarations of interest decisions for staff is required. In particular, for those involved in procurement activities.
- 4.8. Controls for business continuity planning arrangements to ensure continued service delivery in the event of an interruption for both the supplier and SDNPA need to be developed.
- 4.9. Further opportunities for improvement have been identified in relation to the strengthening of controls over the identification, recording and monitoring of contractual risks by contract managers and the retaining of evidence to support the approval of procurement decisions by Directors of the Authority.

5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	4	1, 2, 3, 4,
Low	This represents good practice, implementation is not fundamental to internal control.	1	5
Total number of agreed actions		5	

Executive Summary

Corporate Governance

1. Introduction

- 1.1. Good governance in the public sector is the cornerstone for efficient and effective organisational performance and it is underpinned by several accountability requirements.
- 1.2. Systems and structures for corporate governance also need to be supported by effective leadership and the organisational culture.
- 1.3. There are five key themes around good governance: strategy, culture, relations, performance and compliance and accountability.
- 1.4. This review is part of the agreed Internal Audit Plan for 2020/21.
- 1.5. 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:
 - That key policies are subject to regular review, update and appropriate, delegated committee approval.
 - Management information is reviewed to ensure its integrity, completeness, clarity and that it has appropriate content to meet organisational needs.
 - The Annual Governance Report is adequately supported by robust evidence.
 - Management monitors adherence to the culture.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Corporate Governance - 2020/21.** 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.
Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

- 4.1. The Authority is supported by an organised and effective Governance Team who have acted swiftly to adapt the governance process in the wake of the current pandemic. Officers of the Authority began the year by making an extraordinary revision to Standing Orders; in order to change the format of public meetings and be compliant with new regulation Government introduced. This revision was undertaken and approved by the Authority in an efficient and timely manner. The Governance Team have embedded creation and review dates into the Authority policies, procedures and plans. The meeting agendas and minutes for the Policy and Resources Committee (PRC) record regular revision of key documents and ensures that these continue to underpin the Authorities objectives. Evidence indicates that this process is robust.
- 4.2. Communications within the Authority are managed by Officers who ensure that all appropriate reports and appendices are attached to committee agendas and minutes. A standard template for reports was observed which is clearly laid out, logical and readily comprehensible, with recommendations and risks incorporated. Attachments are clearly labelled, and documents indexed for ease of recording, identification and retrieval. A published calendar of all Committee meetings enables Officers charged with communications to disseminate appropriate management information to Members and Committees in a timely manner.

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- 4.3. Organisational risk appetite is documented, and the Risk Register was reviewed in October 2020. Both emerging risk and current risk movements are identified, and qualified, with a narrative update from Officers. A clear and simple matrix visually demonstrates the risk level. Reports for all committees include, as standard, a section which specifically and concisely informs Members of risks identified. Consideration of risk is evidently embedded within the whole debate and decision-making process.
- 4.4. The Annual Governance Statement (AGS) states that 'There is a programme for reviewing and updating key documentation. We have a research and evidence strategy which ensures that comprehensive, good quality data is available to base our decisions on and allow us to monitor progress. Committee reporting templates ensure these capture all relevant information to inform member decision making and promote consistency. These templates have been periodically reviewed to ensure they are effective and provide Members with the necessary information for them to deliver their decision-making responsibilities.' On review, this statement is clearly evidenced in the Authorities documentation. The latest Annual Governance Report to the Authority further evidences full oversight and management by the Governance Team with the AGS and an updated Local Code of Corporate Governance recommended to Members.
- 4.5. An open and transparent culture is evident from the ease of which information can be found on the website and key documentation. A Code of Ethics is published alongside the Whistleblowing and Complaints processes. During the period tested there have been no incidents of adverse reports being made to the Authority.

5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.		
Low	This represents good practice; implementation is not fundamental to internal control.		
Total number of agreed actions		0	

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Main Accounting and Budget Management

1. Introduction

- 1.1. The objective of this audit was to review the control mechanisms for ensuring the main accounting system is maintained in line with statutory requirements. The audit also reviewed the arrangements to ensure revenue budgets are effectively monitored, focusing particularly on the effective monitoring of planning income budgets.
- 1.2. This review is part of the agreed Internal Audit Plan for 2020/21.
- 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:
 - There are effective processes for the co-ordination and approval of budgets;
 - Timely and “fit for purpose” budget-monitoring reports are provided to senior management and elected members;
 - Controls are in place to ensure that all transactions from feeder systems are recorded accurately and completely within the Main Accounting System;
 - There is effective control over accounting journals, virements, and suspense accounts.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Main Accounting and Budget Management (2020/21).** 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.
Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

- 4.1. We are able to provide a Substantial Assurance opinion, for the following reasons:
- 4.2. There is a robust and effective framework in place for all aspects of budget creation and approval. There is evidence of a co-ordinated annual cycle with a shared timetable for budget planning; a schedule of meetings to review and revise, submission for approval, and a calendar for these to be collated. These processes combined create a resilient and efficient system for producing budgets for Officers and ultimately for Members approval.
- 4.3. The Financial Information System (FIS) is proactively managed and maintained by Brighton & Hove City Council (BHCC) to ensure that information within is accurate. Authority Budget Managers are identified and recorded by BHCC within the FIS. An efficient process for regular review by both parties picks up changes to Budget Managers from the payroll. The process to amend this information requires written email authorisation, and document retention. There is evidence of effective control and appropriate record keeping, including the appropriate authorisations, in the areas reviewed. The risk of inappropriate authorisation of transactions is well managed.
- 4.4. The Authority Budget Managers responsibilities are clearly defined within the SDNPA Standing Orders.
- 4.5. The wide use of shared spreadsheet models to maintain important data on a common platform mitigates the risk of data transcription errors and improves accuracy. Data integrity is embedded within processes and controls are in place to reconcile feeder

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systems. A review of the complex Planning Income Reconciliation evidenced the joint effort to maintaining accurate financial information. There is a shared perception, and supporting evidence, that data accuracy is both effectively and efficiently managed.

- 4.6. The identification of transactions that are not yet posted within F.I.S., is actively managed by the BHCC Finance team in collaboration with the Authority Officers at monitoring meetings. Authorisation and appropriate record keeping are also evident for budget virements. Documentation was provided for the authorisation of these movements during testing, demonstrating effective control.
- 4.7. There is an internal process for the review of financial information and reports. This ensures a constant quality of data and presentation of the reports delivered to the Authority. Reports are passed by Finance Officers and Accountant, on to Head of Finance and Chief Finance Officer for scrutiny and approval. From Authority agendas and minutes, it is evident that reports were issued and available at the appropriate time and were fit for purpose.
- 4.8. In summary, there is an effective control environment in the F.I.S and the resulting reports that are provided to the Authority.

5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.		
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.		
Low	This represents good practice; implementation is not fundamental to internal control.		
Total number of agreed actions		0	

List of agreed actions that have not yet been implemented.

(For actions graded as High or Medium priority).

Actions implemented

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
GDPR Compliance	All forms will be reviewed to ensure where data is collected an appropriate privacy notice is available. (Medium)	31/12/2020	Head of Governance and Support Services.

Actions overdue for implementation

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Asset Management	<p>Where an annual check is undertaken then evidence should be retained and accessible. For example a copy of the spreadsheet could be used and a tab added to include what was checked, discrepancies in the register (if any), when the check was undertaken and by whom. This could then be retained in the online folder (with restricted access where the asset spreadsheet is held. This the record may be useful in the event of an insurance claim.</p> <p>With regards to ICT equipment, an annual report should be produced identifying which assets have not been seen within the last 12 months and verifying that they should still be on the register.</p> <p>Ideally annual checks should not be undertaken by the officer that maintains the asset spreadsheet. (Medium)</p>	<p>Original - 31/3/2020</p> <p>Extended – 4/4/2021</p>	<p>Facilities & Property Officer</p> <p>The implementation due date for this action has been extended to allow the Facilities & Property Officer to respond to additional work priorities arising from the COVID-19 pandemic.</p>

List of agreed actions that have not yet been implemented.

(For actions graded as High or Medium priority).

Actions not yet due

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Procurement and Contract Management	Updated Contract Standing Orders have been prepared in consultation with West Sussex County Council legal team and SDNPA CEO will be asked to approve them in January. We will develop a plan to ensure the changes are communicated across the Authority.(Medium)	31/1/2021	Finance and Procurement Manager
Procurement and Contract Management	SDNPA will put the contract evaluation on line (through In-tend) by March 2021. As part of the process, anyone taking part in an evaluation process will be required to declare any potential conflict of interest. (Medium)	31/3/2021	Finance and Procurement Manager
Procurement and Contract Management	Procurement risks are currently only formally assessed on contracts over £100,000. A formal risk management process will be built into general tendering and contract managing processes. (Medium)	30/6/2021	Finance and Procurement Manager
Procurement and Contract Management	Business Continuity and Disaster Recovery now forms part of the SDNPA selection criteria (Section 7.10 of standard ITT) and this will be used proportionately to the risks identified in each contract. (Medium)	31/3/2021	Finance and Procurement Manager