

Report to	<b>Policy &amp; Resources Committee</b>
Date	<b>29 April 2021</b>
By	<b>Chief Internal Auditor</b>
Title of Report <b>(Decision)</b>	<b>Internal Audit – Strategy and Annual Audit Plan 2021/22</b>

**Recommendation: The Committee is recommended to:**

- 1. Approve the Internal Audit Strategy and Annual Plan for 2021/22.**
- 2. Delegate authority to the Chief Finance Officer to amend the Annual Audit Plan 2021/22 as he considers appropriate to support the Authority through the Covid 19 pandemic recovery phase.**
- 3. Note that any amendments made to the Annual Audit Plan will be reported to the Committee at the appropriate time.**

**1. Introduction**

- 1.1 This report presents the Internal Audit Strategy and Annual Plan for 2021/22, which also includes the Internal Audit Charter.
- 1.2 The Strategy and Plan provide key mechanisms for giving assurance that the Authority’s internal control, risk management and governance arrangements are effective.

**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 In addition, the Public Sector Internal Audit Standards (PSIAS) require “senior management” and “the board” to approve internal audit activity’s plans and resource requirements and the Internal Audit Charter.
- 2.3 For SDNPA, the equivalent of “the board” is this committee.

**3. Issues for consideration**

- 3.1 A copy of the Internal Audit Strategy and Annual Audit Plan for 2021/22 is shown in **Appendix I**.
- 3.2 The *Strategy* which accompanies the schedule of audits (Annex A to the appendix) details the priorities for delivering an effective internal audit service together with details of the quality assurance and performance management arrangements for the coming year.
- 3.3 The *Internal Audit Charter* (Annex B to the appendix) describes the purpose, authority and responsibilities on internal audit, its statutory basis and the standards which underpin best

practice.

3.4 At the time of drafting the Annual Audit plan the working assumption is that there will be no impacts to delivery as a result of any further organisational and government responses to the COVID-19 pandemic. This working assumption is formed on the basis that we were able to deliver, and the Authority were able to support, delivery of the full Annual Audit Plan in 2020/21.

3.5 However, due to the anticipated removal of powers that enable the Committee to hold its meetings virtually, and the potential impacts this may have on the ability of the Committee to convene meetings, the Committee is asked to agree a delegation to the Chief Finance Officer to enable him to amend the plan, as necessary, throughout the year to support the Authority as it continues through the pandemic recovery phase.

3.6 Training can be provided to Members to support them in their committee duty relating to the role of Internal Audit.

#### 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?	No adverse implications have been identified.
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 are orientated towards these risks plus the operational controls within individual systems and services.

**Mark Winton**  
**CHIEF INTERNAL AUDITOR**  
**for South Downs National Park Authority**

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Appendices	I. Internal Audit Strategy and Annual Audit Plan 2021/22 Annex A: 2021/22 Audit Plan Annex B: Internal Audit Charter
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	None

# Internal Audit Strategy and Annual Audit Plan 2021-2022



## 1. Role of Internal Audit

1.1 The full role and scope of the Authority's Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference, the latest version of which is attached to this Strategy as Annex B.

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

1.3 The organisation's response to internal audit activity should lead to a strengthening of the control environment, thus contributing to the overall achievement of organisational objectives.

## 2. Risk Assessment and Audit Planning

2.1 South Downs National Park Authority's Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out within the strategic and departmental risk registers) and our own risk assessment of the Authority's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 The creation of the annual plan for 2021/22 has involved consultation with a range of stakeholders, to ensure that their views on risks and current issues. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2021/22 audit planning process:



2.3 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Authority’s priorities, the audit plan has taken into account the key corporate priorities of the Authority as set out within the Corporate Plan.

2.4 In producing the audit plan (which is set out in Annex A to this report) the following key principle continues to be applied:

- All key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls.

2.6 The 3 year cyclical programme of audits for key financial systems, agreed with Policy & Resources Committee on 29/3/2018 has now ended. We therefore propose the following 3 year cyclical programme of audits for key financial systems, which may be subject to change in consultation with Policy & Resources Committee, to reflect emerging risks and priorities:

<b>Audit</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Key Financial Systems</b>			
Payroll		Yes	
Creditors/ Accounts Payable		Yes	
Income Processing	Yes		Yes
Treasury Management	Yes		Yes
Main Accounting and Budget Management		Yes	
Capital Accounting	Yes		Yes

2.7 In addition, Action tracking arrangements are in place to monitor the implementation by management of all individual high and medium risk recommendations, with the results of this work reported to the Policy & Resources Committee.

### **3. Key Issues**

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered.

3.3 The results of all audit work undertaken will be summarised within progress reports along with any common themes and findings arising from the audit work.

### **4. Counter Fraud**

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption.

4.2 The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Authority to aid the prevention and detection of fraud.

## **5. Matching Audit Needs to Resources**

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Authority's governance, risk and control framework.

5.2 Internal audit activities will be delivered under contract by Brighton & Hove City Council. The council has entered into a shared service partnership arrangement, Orbis, with East Sussex and Surrey County Councils (a Joint Committee arrangement) to deliver many of its support service functions including Internal Audit. The service will therefore be provided by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical areas, externally provided specialist resources will continue to be utilised.

5.3 The contract between SDNPA and Brighton & Hove City Council (for the provision of corporate financial services) provides for 35 internal audit days per annum.

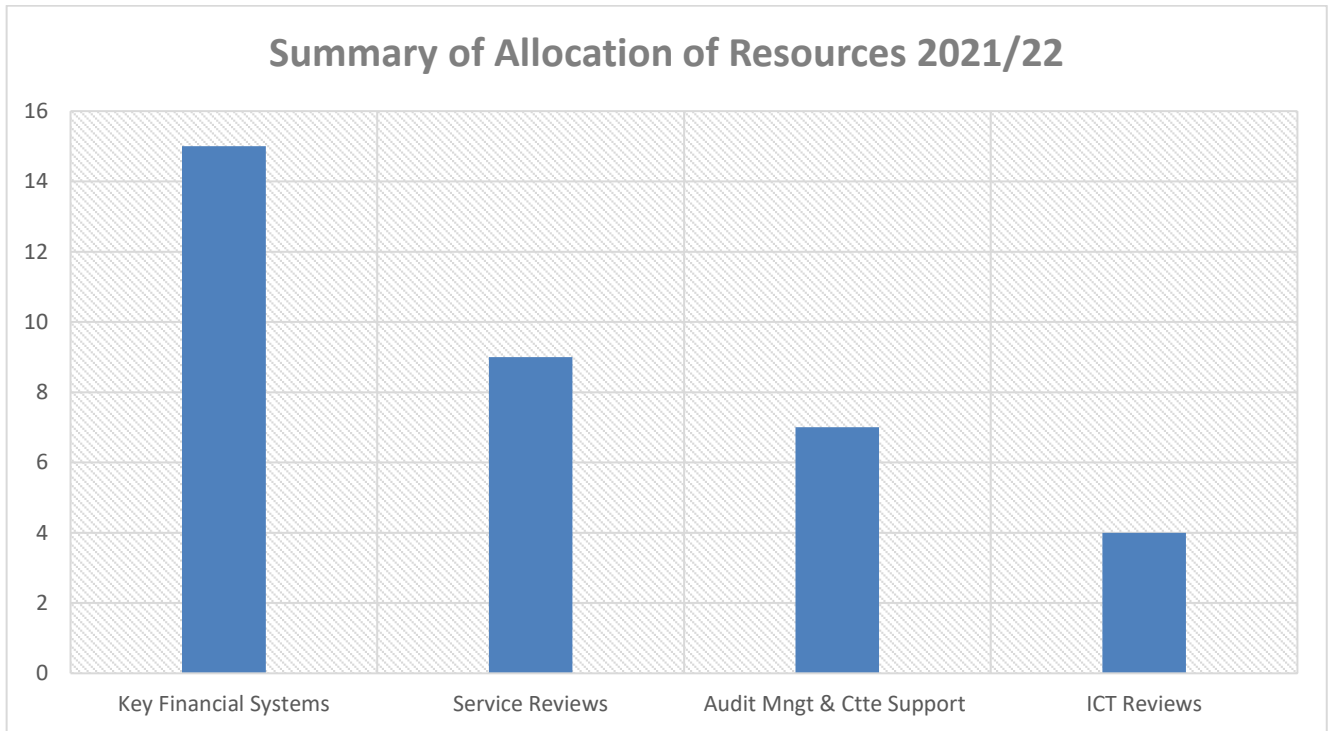
## **6. Audit Approach**

6.1 The approach of Internal Audit is to use risk based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management's arrangements for:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

6.2 A summary of the allocation of audit resources (days) across the 2021/22 audit plan is set out in the Table 1. The detailed audit plan is shown as Annex A.

### **Table 1: Audit days by type**



## 7. Training and Development

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through a formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as several members of the team continuing on new apprenticeship and professional training during 2021/22.

## 8. Quality and Performance

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms 'Board' and 'senior management' in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Policy & Resource Committee's role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to Policy &



Resources Committee, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

8.4 In addition, the performance of Orbis Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in Table 2 below.

8.5 At a detailed level each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to the Policy & Resources Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors’ Group and the Local Authority Chief Auditors’ Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

**Table 2: Performance Indicators**

<b>Aspect of Service</b>	<b>Orbis IA Performance Indicators</b>	<b>Target</b>
<b>Quality</b>	<ul style="list-style-type: none"> <li>• Annual Audit Plan agreed by Policy &amp; Resources Committee</li> <li>• Annual Audit Report and Opinion</li> <li>• Satisfaction levels</li> </ul>	By end April  To inform Annual Governance Statement (AGS)  90% satisfied
<b>Productivity and Process Efficiency</b>	<ul style="list-style-type: none"> <li>• Audit Plan – completion to draft report stage by 31<sup>st</sup> March 2022</li> </ul>	90%

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<b>Compliance with Professional Standards</b>	<ul style="list-style-type: none"><li>• Public Sector Internal Audit Standards</li><li>• Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act</li></ul>	Conforms Conforms
<b>Outcomes and degree of influence</b>	<ul style="list-style-type: none"><li>• Implementation of management actions agreed in response to audit findings</li></ul>	95% for high priority
<b>Our Staff</b>	<ul style="list-style-type: none"><li>• Professionally Qualified/Accredited</li></ul>	80%

Mark Winton  
Orbis Internal Audit Manager (ICT)  
SDNPA Chief Internal Auditor

**Annex A**



**INTERNAL AUDIT PLAN  
2021/22**

Area	
Review Name	Outline Objective
Income Processing	This audit will look to provide assurance over the control environment around the authorities income processing, considering whether controls and mitigating activity are appropriate to support effective income processing including the reconciling of payments and the management of mechanisms and procedures for receiving payments.
Treasury Management	This audit will review the arrangements for treasury management aiming to provide assurance that there is an effective control environment to manage the risks associated with the authorities investments, cash flow and banking.
Capital Accounting	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.
Seven Sisters – Financial Arrangements	To provide assurance that the financial arrangements are in place and operating as expected to support the effective delivery of services.
New ICT Contract	This audit will review the arrangements of the ICT contract to ensure all appropriate strategic ICT risks have been identified and will seek to provide assurance that the controls and mitigating activity is appropriate and operating as expected.

## Annex B

# INTERNAL AUDIT CHARTER

### 1. Introduction

This Charter describes for the South Downs National Park Authority (SDNPA) the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be SDNPA Senior Management Team (SMT) and the board will be the SDNPA Policy & Resources Committee (described generically in this Charter as the Audit Committee).

The Charter shall be reviewed annually and approved by SMT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

### 2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Internal Audit is defined in the PSIAS as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Internal Audit supports the whole Authority to deliver economic, efficient and effective services and achieve the Authority’s vision, priorities and values.

### 3. Statutory Requirement

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain 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.

These regulations require any officer or Member of the Authority to:

- Make available such documents and records; and
- Supply such information and explanations;

as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Authority’s Financial Regulations.

In addition, the Authority's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

#### **4. Internal Audit Responsibilities and Scope**

Annually the Chief Internal Auditor is required to provide to the Audit Committee an overall opinion on the Authority's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Authority.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Authority's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Authority risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts

#### **5. Independence**

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

## **6. Appointment and Removal of the Chief Internal Auditor**

The role of Chief Internal Auditor for the South Downs National Park Authority is provided by the Orbis Internal Audit Manager (ICT), employed by Brighton & Hove City Council. The Internal Audit Manager (ICT) reports directly to the Orbis Chief Internal Auditor.

In order to ensure organisational independence is achieved, all decisions regarding the appointment and removal of the Orbis Chief Internal Auditor will be made following appropriate consultation with Member representatives from each of the authorities' audit committees.

## **7. Reporting Lines**

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Chairman of the SDNPA and the Authority's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chair of the Audit Committee – on the results of audit activity and details of Internal Audit performance, including progress on delivering the audit plan.

## **8. Fraud & Corruption**

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Authority's Anti Fraud and Corruption Strategy.

The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti-fraud and corruption culture within the Authority to aid the prevention and detection of fraud.

## **9. Consultancy Work**

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service; and, regular liaison

meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

## **10. Resources**

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

## **11. Due Professional Care**

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, Internal Auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

## **12. Quality Assurance**

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the Authority's Annual Governance Statement.

January 2020