

Agenda Item 13
Report PR20/21-43

Report to	Policy & Resources Committee
Date	29 April 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 As previously reported all audits from the 2019/20 financial year have now been completed.

Progress against Audit Plan for 2020/21

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

Audit Title	Status	Assurance Level ¹
Creditors/Accounts Payable	Final Report	Reasonable

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

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

EU grant certification work

3.4 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.

3.5 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

3.6 **Appendix 3** provides a list of those (High & Medium) agreed management actions from previous audit reports. There are two overdue actions requiring attention although these are 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.

3.7 There are two 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?	Yes there no equalise arising from this update report . Equalities considerations are also taken into 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 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

Creditors/Accounts Payable (2020/21)

1. Introduction

- 1.1. The South Downs National Park Authority (SDNPA) makes payments through the Civica Financials System hosted by Brighton and Hove City Council (B&HCC). 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.
- 1.2. During 2019/20 (the last period for which full year information available), the following levels of activity were recorded:
 - No. of Payments: 2,107 payments
 - Value of Payments: £8,151,223.17m (net of VAT)
 - New Suppliers set up: 223.
- 1.3. This audit has been undertaken to provide assurance on the control framework for ensuring payments are correctly made to suppliers for goods, works and services properly incurred/delivered.
- 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 objective of the audit was to evaluate the adequacy of the control framework operating for the creditors system to ensure that:
 - 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
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3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Creditors/Accounts Payable (2020/21).** 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 controls operating within the Accounts Payable system for SDNPA because:
- 4.2. Financial policies and procedures to support effective service delivery are available on the SDNPA website, however these may require update as they do not show any evidence of review since 2015.

Executive Summary

- 4.3. Testing identified that the process for amendments to standing data has appropriate controls, evidencing separation of duties and independent validation for changes with the company themselves.
- 4.4. The new supplier creation process demonstrates sufficient separation of duties with checks completed by a secondary authoriser once the creditor is created, alongside this, there is evidence of the original requests present for the creation of the new supplier from SDNPA.
- 4.5. Whilst the controls and process for ordering goods and services are appropriate, between August and October 2020, 26 retrospective orders were raised with a total value of £63k, meaning spending commitments against budget are not allocated at the appropriate time and the authorisation control is moved to the end of the process and are therefore retrospective and less effective in identifying inappropriate expenditure.
- 4.6. Authorisation rights for approval of orders were reviewed and it was identified two of the SDNPA officers on the approver lists are not current employees at SDNPA, these were the same two employees as identified in the last audit in 2018.
- 4.7. Consideration of duplicate payments identified effective controls, our testing found that one genuine duplicate payment was identified quickly by B&HCC payments team and the appropriate actions were taken to resolve this by SDNPA.
- 4.8. Urgent payments (e.g. Manual cheques and CHAPS) were minimal and where present had the correct supporting documentation, appropriate level of approval, and sufficient separation of duties present.

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.	1	2
Low	This represents good practice, implementation is not fundamental to internal control.	2	1, 3
Total number of agreed actions		3	

- 5.2. Full details of the audit findings and agreed actions are contained in the detailed findings section below.
- 5.3. As part of our quarterly progress reports to Audit Committee we track and report progress made in implementing all high priority actions agreed. Medium and low priority actions will be monitored and re-assessed by Internal Audit at the next audit review or through random sample checks.

6. Acknowledgement

- 6.1. We would like to thank all staff that provided assistance during the course of this audit.

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
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	Implemented We have now updated the contract standing orders. This requires approval by CEO. A report was presented to Senior Management Team on this in mid-February and the changes were approved then. 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	Implemented Whilst we don't have the evaluation working through In-tend yet. We are still using our existing evaluation matrix, which is spreadsheet based. This has been amended to include a declaration on potential conflict of interest, to be used in the interim. 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	Implemented Business Continuity and Disaster Recovery has been included as part of the selection criteria. Finance and Procurement Manager

Actions overdue for implementation

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Asset Management	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	Original - 31/3/2020 Extended – 1/6/2021	Facilities & Property Officer

List of agreed actions that have not yet been implemented.

(For actions graded as High or Medium priority).

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
	<p>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>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>
Accounts Payable/Creditors	<p>SDNPA do have employee leaver procedures and a notification process is in place. A quarterly existence check will be implemented to enable SDNPA to check staff names and approval levels against existing staff establishment. (Medium)</p>	<p>Original - 31/3/2021 Extended - 31/5/2021</p>	<p>Finance and Procurement Manager</p>

Actions not yet due

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Procurement and Contract Management	<p>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)</p>	<p>30/6/2021</p>	<p>Finance and Procurement Manager</p>
Payroll	<p>The HR Manager will also review and sign off the pre-payroll report monthly. (Medium)</p>	<p>1/4/2021</p>	<p>This action fell due after the report was written, for this reason an update is not currently available, but will be at the next committee. Human Resources Manager</p>