

**Agenda Item 12**  
**Report PR21/22-05**

Report to	<b>Policy &amp; Resources Committee</b>
Date	<b>15 July 2021</b>
By	<b>Chief Internal Auditor</b>
Title of Report (Note)	<b>Internal Audit – Annual Report and Opinion</b>

**The Committee is recommended:**

- 1) To note the content of the Annual Audit Report (2020/21) and the Audit Opinion (2020/21); and**
- 2) Taking into account the content of the Annual Audit Report, to conclude that the Committee is satisfied with the effectiveness of Internal Audit during 2020/21.**

**1. Introduction**

- 1.1 This report presents the Internal Audit Annual Report and Opinion for 2020/21 and includes:
- The annual opinion on the adequacy and effectiveness of SDNPA's internal control environment;
  - A summary of audit coverage and outcomes for 2020/21, and
  - Performance against key indicators.

- 1.2 This opinion contributes to the annual review of governance arrangements and the production of the Annual Governance Statement.

**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 committee's Terms of Reference requires the committee to “*meet the requirements of the Accounts and Audits regulations 2015 in respect of; conducting an annual review of the effectiveness of internal audit*”. To support this annual review, the committee is presented with information within the annual report that outlines how we comply with the Public Sector Internal Audit Standards (PSIAS) in the following areas:
- 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.

### 3. Issues for consideration

- 3.1 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.
- 3.2 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.*
- 3.3 Consultations on the Internal Audit Plan continued throughout the year with the Chief Finance Officer and the Chief Executive, however, no deviations from the approved Internal Audit Plan have yet been considered necessary. Therefore, all audits were completed by the year end, including the audit of Procurement and Contract Management which was suspended within the 2019/20 financial year to allow the Authority to respond to the emerging COVID-19 pandemic.
- 3.4 We were additionally commissioned by SDNPA to undertake EU grant certification work.
- 3.5 Our Annual Report is attached at Appendix I.
- 3.6 Based upon the internal audit work undertaken, our overall opinion is that **Reasonable Assurance** can be provided and that an effective system of internal control is in place at SDNPA for the year ended 31 March 2021.

### 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?	There are no equalities issues arising directly from this report Equalities issues are taken into account within 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 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

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#### for South Downs National Park Authority

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Appendices I. Annual Audit Report and Opinion 2020/21

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 2020/21  
Individual audit reports.

## Appendix 1

# INTERNAL AUDIT ANNUAL REPORT & OPINION 2020/2021



## 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 2020/21, a programme of audits were carried out and, in accordance with best practice, this programme was reviewed during the year, there was no requirement to change the audit plan and both the Authority and our service were able to work together to deliver the full audit plan. We were also able to complete the 2019/20 planned audit of Procurement and Contract Management, which was suspended in March 2020 to allow the Authority to respond to the developing Coronavirus pandemic.

## 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 **Reasonable<sup>1</sup> 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 2020 to 31 March 2021.

3.2 Further information on the basis of this opinion is provided below.

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 2020/21;
- Follow up of actions from previous audits;

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<sup>1</sup> 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.

- 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.

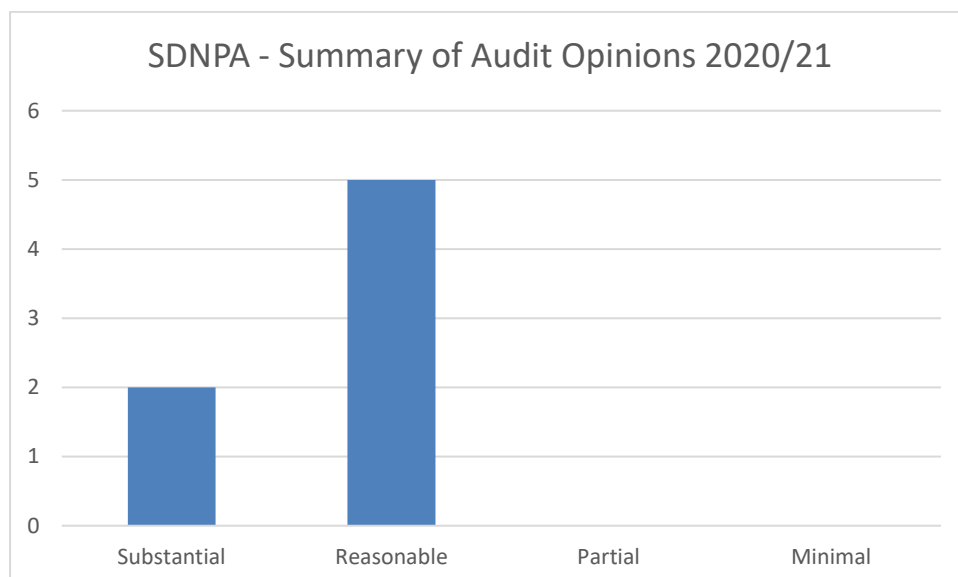
4.2 No limitations have been placed on the scope of Internal Audit during 2020/21.

## 5. Key Internal Audit Issues for 2020/21

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 2020/21:

### 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.

### EU Grant Claim Certification

5.5 During 2020/21, 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 have been necessary in 2020/21.

## **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 100% of the 2020/21 audit plan.

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.



## 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	<b>G</b>	2020/21 Internal Audit Strategy and Plan approved by Policy & Resources Committee on 16th July 2020, this was the first opportunity available due to the coronavirus pandemic.
	Annual Audit Report and Opinion	By end July	<b>G</b>	This report produced and presented to Policy & Resources Committee on 15 July 2021.
	Customer Satisfaction Levels	90% satisfied	<b>G</b>	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>G</b>	100% of 2020/21 Internal Audit Plan completed. Procurement and Contract Management from 2019/20 also completed within the year.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	<p>January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings.</p> <p>May 2020 - Internal Self Assessment and Quality Review completed – no significant issues identified.</p> <p>May 2021 - Internal Self Assessment and Quality Review completed – no significant issues identified.</p>

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	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	<b>N/A</b>	No high priority actions falling due in 2019/20
Our staff	Professionally Qualified/Accredited	80%	<b>G</b>	94%

## Summary of Opinions for Internal Audit Reports Issued During 2020/21

### **Substantial Assurance:**

*(Explanation of assurance levels provided at the bottom of this document)*

- Main Accounting and Budget Management
- Corporate Governance

### **Reasonable Assurance:**

- GDPR Compliance
- Creditors/Accounts Payable
- Payroll (incl Absence Management)
- Procurement and Contract Management (2019/20 Audit)
- Seven Sisters – Project Management Arrangements

### **Partial Assurance:**

- None

### **Minimal Assurance:**

- None

## Other Audit Activity Undertaken During 2020/21

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

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to 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 to 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.

