

Agenda Item 13
Report PR21/22-06

Report to	Policy & Resources Committee
Date	15 July 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.
- 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
Seven Sisters Project Management Arrangements	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.

- 3.7 Two actions have been implemented in the current reporting period.

- 3.8 There are three 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. We will continue to track progress, provide advice and support and will update this committee with progress.

- 3.9 There are no actions 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 are no equalities issues 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	No, but the service includes the provision of advice and investigation of frauds and irregularities when required.

from the proposal?	
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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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 2020/21
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

Seven Sisters - Project Management Arrangements

1. Introduction

- 1.1. SDNPA is making a long-term commitment to Seven Sisters Country Park and is working with the South Downs National Park Trust to make substantial investment in the site. This investment underpins SDNPA's long-term plans to conserve and enhance Seven Sisters Country Park to ensure that it continues to be an iconic, healthy, and cherished place for future generations.
- 1.2. SDNPA want to deliver significant benefits through managing the landscape and improving natural habitats, as well as delivering a memorable experience for visitors so that they can fully understand, enjoy, and care for this important landscape, while increasing the positive local economic impact.
- 1.3. £1.9 million is being invested in upgrading the existing buildings at Exceat and Foxholes; sites within Seven Sisters Country Park (SSCP)
- 1.4. The indicative contract value was forecast to be in the region of £1.5 – 1.6 million.
- 1.5. The project focus is on ensuring the facilities are in place to effectively meet visitor numbers and to care for the landscape. This includes having adequate and accessible toilet facilities and parking, better signage to guide visitors, making caring for the landscape easier by having bins available for rubbish and supporting responsible dog behaviour, and supporting people to travel by public transport.
- 1.6. This review is part of the agreed Internal Audit Plan for 2020/21.
- 1.7. 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 provide assurance that the project management arrangements are in place and operating as expected to support the effective delivery of the project outcomes and deliverables.
- 2.2. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - There has been sufficient purpose, planning and preparation to support the Programme.
 - An appropriate Governance Structure is in place.
 - Effective Quality and Cost Controls are in place.
 - Risk Management is appropriately addressed.
 - Reporting and Communication during the programme is well managed.
 - Implementation of the programme is effective.

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Seven Sisters - Project Management Arrangements.** 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.

Executive Summary**4. Basis of Opinion**

- 4.1. There has been a four-year period leading to the Seven Sisters Country Park Project reaching the first construction stage. During this time the Authority has been planning and preparing for the potential acquisition and development of this important and internationally renowned site. A comprehensive record of Board meeting minutes and other documents demonstrates their consideration and purpose during this time.
- 4.2. A Business Case which outlines the schedule of works has been approved by the Authority. Its ongoing review and management are delegated to the Head of Business Services, who is also the Assurance Officer for the Project. It is planned that he will be involved in, and be present at most meetings of, the Project Team, Project Board, Policy and Resources Committee and the Authority Board. This ensures appropriate Governance and continuity of oversight of the Project and the specified deliverables.
- 4.3. The Project Manager has been appointed from within the Authority and they lead on the organisation, coordination, delivery and reporting of the Project. The Project Team members have been aligned with Workstreams, each with a specific area to deliver. Responsibility for monitoring progress and delivery against the budget is one of the Project Managers key roles.
- 4.4. Project management software is being utilised to structure the many documentary threads of this complex project. This underpins planning, progress monitoring, and reporting to the Project Board. There is a Risk Register, as well as Issues, Changes and Decisions Logs. All of which help ensure that emerging risks, mitigations, and updates to the plans are recorded, discussed, managed, and reported within the Quarterly Report to the Policy and Resources Committee.
- 4.5. Financial Reporting is embedded within the Quarterly Reporting. Given the relatively short (8 to 9 month) expected duration of Phase I of the Project, this is not sufficient to effectively monitor and ensure that project delivery is to budget. The funding is comprised of borrowing, some reserves, with Grant funding being sought for applicable components of the construction.
- 4.6. There is existing pressure on the finances this was reported to the Authority who agreed that reducing the scope of the project was not an option. A cost engineering exercise is being undertaken, with the aim of reviewing the specification of materials to reduce their cost without changing their functionality. Appreciation of the pressure has led to the work schedule being redesigned across the 3 Phases of the project.
- 4.7. The construction contract for Phase I has not yet awarded, the quoted cost is not yet confirmed. The inclusion of fixed price items shifts some risk to the constructor.
- 4.8. The services of a Quantity Surveyor have been retained to support the Project Manager and the Authority in evaluating, challenging, and managing the inevitable cost pressures that will emerge once the works commence. The construction cost experience and expertise that the Quantity Surveyor brings to the team will provide the Project Manager with informed advice essential to ensuring that the project is delivered.
- 4.9. It is evident from the movement in the estimated costs over time and the tender bids now received, that the cost of the ambitious plans that SDNPA have for Seven Sisters County Park has been adversely affected by price inflation and the current economic climate. The Authorities' ongoing commitment to their original vision for a world class attraction will mean that increased vigilance and improved financial reporting are required to support the successful delivery of the project.

5. Action Summary

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

- 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 Policy and Resources Committee we track and report progress made in implementing all high and medium priority actions agreed. 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 (since the previous report)

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Payroll	The HR Manager will also review and sign off the pre-payroll report monthly. (Medium)	Implemented	HR Manager evidence is now available to show that there is sufficient separation of duties within the review and authorisation of the monthly payroll report. This is therefore considered implemented.
Seven Sisters – Project Management Arrangements	We agree there is a need for increased oversight and more frequent budget reporting. Detail is not being captured in any meeting minutes, or other documents seen to date. The formal report documentation will be more detailed and the reporting frequency increased. (Medium)	Implemented	Finance and Procurement Manager A fixed contract price has been agreed with the Contractor which is in line with the budget, following some value engineering, and there is a contingency in place. The contractor is aiming to start work on site from 19 July. The contractor will submit a payment statement at the end of the month, which will be agreed with the architect and QS, this will be used to form a budget report to the Project Board meeting to be held in the first week of each month. This will provide budget reporting that is as prompt and frequent as possible. The first statement is likely to be before the Board in early August.

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 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. With regards to ICT equipment, an annual report should be produced identifying which assets have not	Original - 31/3/2020 Extended – 1/9/2021	Facilities & Property Officer 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.

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>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>		
Accounts Payable/Creditors	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>Original - 31/3/2021</p> <p>Extended - 1/8/2021</p>	<p>Finance and Procurement Manager</p> <p>The appropriate person to carry out the existence check has been identified and they will request quarterly reports from BHCC in order to facilitate this control.</p>
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)	<p>Original - 30/6/2021</p> <p>Extended - 1/10/2021</p>	<p>Finance and Procurement Manager</p> <p>Control improvement plans have been identified, including the development of a matrix to support risk management in procurement. This will need to be reviewed and approved by the National Park Authority in line with the constitution and an extension to the due date has been requested to support this.</p>

Actions not yet due

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
None			

