

Report to **Policy & Resources Committee**
Date **17 February 2022**
By **Mark Winton, Chief Internal Auditor**
Title of Report **Internal Audit Progress and Implementation**

Note

Recommendation: The Committee is recommended to note:

- 1. Progress against the Internal Audit Strategy and Annual Plan (2021/22).**
- 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 2021/22, 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 29th April 2021 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 Policy and Resources Committee to amend the Annual Audit Plan 2021/22 as he considers appropriate to support the Authority through 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 been considered necessary.

3. Issues for consideration

Progress against Audit Plan for 2021/22

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

Audit Title	Status	Assurance Level ¹
Income Processing	Final	Substantial

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

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

EU grant certification work

3.3 As previously reported, in addition to the planned audit work, we have additionally been commissioned by SDNPA to undertake EU grant certification work.

3.4 In this reporting period we have completed the certification of the Claim 8 Channel Payment for Ecosystem Services (CPES) grant claim, in which an error was identified and corrected, resulting in the certification of the 687,80 EUR claim.

Action Tracking

3.5 **Appendix 3** provides a list of those (High & Medium) agreed management actions from previous audit reports.

3.6 Four actions have been implemented in the current reporting period (including one that was reported verbally to Members at the last meeting).

3.7 There are no other 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 forms part of a wider procurement of financial services.
Which PMP Outcomes/ Corporate plan objectives does this deliver against	All PMP outcomes and Corporate plan objectives are considered as part of the annual audit planning process.
Links to other projects or partner organisations	Audit clients identified as appropriate.
How does this decision contribute to the Authority's climate change objectives	This report doesn't directly contribute to the Authority's climate change objectives.
Are there any Social Value implications arising from the proposal?	No

Implication	Yes*/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 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 reviews 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 2021/22
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

Income Processing

1. Basis of Opinion

- 1.1. We are able to provide an opinion of Substantial Assurance on the basis that:
- 1.2. There is a regular reconciliation between the ICON banking system and the general ledger, that ensures that all income received is assigned to the general ledger.
- 1.3. All payments are processed through the banking system ICON. These are reviewed by management and sent to SDNPA Finance for information. Income received had been correctly identified and coded to the correct ledger accounts.
- 1.4. Our sample testing confirmed that the bank statements clearly identify planning application income, which has been correctly allocated to the general ledger.
- 1.5. There is a robust process to verify planning application payments via a daily planning application payments reports forwarded from the banking team to SDNPA to clarify application income and which budget code it has been allocated.
- 1.6. Unallocated payments received, are investigated. A process is in place to identify all unidentified payments via an email circulation to the five authorities. The system works well to establish what each payment is and where to allocate them.
- 1.7. There is a regular banking process to reconcile all payments. All transactions had been promptly investigated and allocated to the correct ledger code.

2. Action Summary

- 2.1. 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 (since the previous report)

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
New ICT Contract Arrangements	Patch Management Discussions to be held with Sota Solutions to fully understand the vulnerabilities/risks around the current patch management arrangements. The outcome of the review and any options available to further mitigate the risks will then be reported to SMT so that an informed decision can be made about any proposed changes. (High)	Original - 30/9/2021 Extended - 07/01/2022	IT Strategy Manager (Verbally updated Members at the last meeting). The provider now provides monthly patching.
New ICT Contract Arrangements	Geographical access restrictions Explore whether adding measures to restrict access to SDNPA's network by geographical location can be put in place to mitigate the chance of fraudulent access or whether the risk should be added to the risk register. (Medium)	Original - 31/10/2021 Extended - 07/01/2022	IT Strategy Manager The SDNPA firewall has now been configured to prevent connections from outside of the EU. The functionality deployed allows SDNPA to allow or restrict access on a country-by-country basis.
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)	Original - 31/3/2021 Extended – 7/1/2022	Finance and Procurement Manager The first quarterly check was carried out at the end of November and the second is scheduled for the end of February.
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)	Original - 30/6/2021 Extended – 7/1/2022	Finance and Procurement Manager A simple check list to be completed at different phases of the procurement process to cover the five procurement risks identified for larger contracts in each committee report has been developed.

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
			Whilst the checklist has yet to be used in a live contract, this is now available and on this basis, the action is considered implemented.

Actions overdue for implementation

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

Actions not yet due

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Treasury Management	<p>Investments with Brighton and Hove City Council</p> <p>In order to help mitigate against the perception of a conflict of interest, the 2022/23 Annual Investment Strategy will include some parameters for investing with Brighton & Hove City Council, including a summary of the triggers and circumstances which would result in a review by the S151 officer as to the appropriateness of the proportion of investments held with BHCC compared to externally.</p> <p>Similarly, it has been agreed with the External Auditor, Grant Thornton, that they will undertake an additional VFM review in respect of Treasury Management, as part of the 2020/21 audit, to provide independent assurance to SDNPA regarding TM performance.</p>	31/3/2022	<p>Principal Accountant (BHCC)</p> <p>The parameters will be drafted for the Treasury Management Strategy 2022/23 due to be considered by the Policy & Resources Committee on 17 February 2022.</p>

