

Report to **Policy & Resources Committee**
 Date **24 November 2022**
 By **Chief Internal Auditor**
 Title of Report **Internal Audit Progress and Implementation**
Note

Recommendation: The Committee is recommended to:

1) Note progress against the Internal Audit Strategy and Annual Plan (2022/23)

1. Introduction

- 1.1 This report details progress against the Internal Audit Strategy and Annual Plan 2022/23, 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 17th February 2022 provides a key mechanism for providing assurance that the Authority's internal control, risk management and governance arrangements are effective.
- 2.3 Consultations on the Internal Audit Plan continue with the Chief Finance Officer and the Chief Executive, there has been one deviation from the approved Internal Audit Plan approved by Members at the last Policy and Resources Committee with the ICT Contract Arrangements replacing the Awarding of Grants audit.

3. Issues for consideration

Progress against Audit Plan for 2022/23

- 3.1 There have been two reports issued since the last progress report to this Committee.

Audit Title	Status	Assurance Level ¹
Payroll 2022/23	Final	Reasonable
ICT Contract Arrangements (Follow-Up)	Final	Substantial

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

- 3.2 A copy of the Executive Summary for the finalised audits are attached at **Appendix 2**.
- 3.3 We have completed five of the seven planned audits to date.
EU grant certification work
- 3.4 As previously reported, in addition to the planned audit work, we have additionally been commissioned by SDNPA to undertake EU grant certification work.
- 3.5 No additional claims have been certified in this reporting period.
Action Tracking
- 3.6 **Appendix 3** provides a list of those (High & Medium) agreed management actions from previous audit reports.
- 3.7 One Low priority action has been implemented (not included in the table), there are no other High & Medium, actions yet due or overdue 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
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.

Implication	Yes*/No
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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CHIEF INTERNAL AUDITOR

South Downs National Park Authority

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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 2022/23
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

Payroll 2022/23

1. Introduction

- 1.1. This audit reviewed the Authority’s controls over the payroll system to ensure payments and deductions are made in accordance with statutory and regulatory guidelines and payments are made in accordance with the authority’s pay policy.
- 1.2. The SDNPA payroll service is provided by Brighton & Hove City Council (B&HCC) using the Personal Information and Employment Resource (PIER) that is part of the iTrent payroll system. PIER provides online access for South Downs National Park Authority (SDNPA) to the payroll system, this covers salary, overtime and other employment related services such as absence logging.
- 1.3. The monthly cost of pay is around £415k (gross pay) for 154 employees. The Authority appointed an additional 12 casual staff earlier this year to support operations at the Seven Sisters Country Park.
- 1.4. This audit forms part of the agreed Internal Audit Plan for 2022/23.
- 1.5. This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted within the detailed findings section of the report.

2. Scope

- 2.1. The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - Starters, Leavers & Amendments including casual staff are approved and correctly processed in a timely manner;
 - Controls are in place to ensure that payroll is processed accurately and completely, independently verified and is correctly recorded in the main accounting system; and
 - All claims and reimbursements are legitimate and are processed in accordance with approved policies.

3. Audit Opinion

3.1. **Reasonable Assurance is provided in respect of Payroll 2022/23.** 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 Payroll at SDNPA because:

- 4.2. The Controls over starters, leavers and amendments to the payroll system were tested and found to be operating as expected. The samples we considered for each process evidenced prompt actioning of changes/leavers and addition of new starters to the payroll.
- 4.3. We reviewed the controls over expense claims and found them to be effective. Claims are appropriately authorised by line managers who have been assigned through PIER. We did however note that the related, policies and guidance available to staff have not been reviewed since 2016. Whilst the content appears relevant and up to date, it is acknowledged that these may need to reflect any evidence of formal review.
- 4.4. Our review of the process for managing casual staff appointments, rotas and authorisation of timesheets found that appropriate controls are in place, however we consider there may be a need to ensure a Data Protection Impact Assessment and Privacy Notice is completed for the 'when I work' application used to manage casual staff rotas. This has been raised with the Head of Governance and Support Services and we are unable to confirm whether a Data Protection Impact Assessment (DPIA) has been completed prior to implementing this application.
- 4.5. A monthly payroll review showed that validation and reconciliation checks are completed by the payroll team at B&HCC, and a walkthrough of the July pay run confirmed it was processed accurately, completely and there was separation of duties for approval of reports. We also confirmed this was correctly recorded in the General Ledger and that no overpayments had been made this financial year.

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.	0	
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	
Low	This represents good practice; implementation is not fundamental to internal control.	1	1
Total number of agreed actions		1	

Executive Summary

ICT Contract Arrangements (Follow-Up)

1. Introduction

- 1.1. Contract management is key to ensure an organisation can continuously work with its supplier to provide an effective, efficient, and suitable product/service.
- 1.2. The South Downs National Park Authority (SDNPA), like most modern organisations relies heavily on the use of ICT systems to carry out its duties, any issues with the delivery of the ICT contract can have potentially serious impacts on service provision and data security.
- 1.3. SDNPA outsources the provision of most IT functions to two main providers; Sota Solutions for most back office IT functions such as backups, patching, cyber support, system implementation support etc, and Amicus for on-site 'help desk' support who interact with Sota Solutions to complete this service. These contracts provide key functions to keep the SDNPA IT network running and provide support for circa 160 users.
- 1.4. The previous audit report, issued in August 2021, concluded a Partial Assurance opinion, with 6 actions agreed with the service.
- 1.5. The objective of this audit was to follow up on the actions agreed from the previous audit, to provide assurance that actions have been implemented and that key financial controls are in place and operating effectively.

2. Scope

- 2.1. This audit was a follow up of the 2021/22 New ICT Contract Arrangements audit and reviewed whether the agreed actions have been implemented. We also undertook a review to ensure all appropriate strategic ICT risks have been identified and further seek to provide assurance that the controls and mitigating activity is appropriate and operating as expected.
- 2.2. The follow up audit only considered the arrangements to manage the contract and did not consider the procurement of the contract.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of ICT Contract Arrangements (Follow-Up) 2022/23.** This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
- 3.2. *Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.*

4. Basis of opinion

- 4.1. Our opinion has been informed from a review of the implementation of the agreed actions from the New ICT Contract Arrangements 2020/21 audit. It should be noted that, where areas tested in the previous audit were well controlled, these have not been re-tested during this review, as it is assumed that these controls are continuing to operate as expected
- 4.2. Overall, of the six actions from the 2020/21 report, all have been implemented by management. We found that:
- 4.3. A significant change was made to the patching regime for servers. Since December the patching frequency was changed from quarterly to monthly. This is considered reasonably sufficient to reduce the risks of vulnerabilities being exploited.
- 4.4. Amendments to the Disaster Recovery Plan, IT User Policy and changes to geographical access restrictions have been implemented to address the risks arising from the previous audit review.
- 4.5. SDNPA have a Corporate Strategy risk register which is monitored by SLT and contains any risks applicable to ICT, these risks are reviewed by the ICT Strategy Manager and Head of Business Services prior to being considered by SLT for addition to the register. Our review of the Corporate Strategy risk register found that risks have not been evidenced as regularly reviewed nor updated appropriately. The ICT Strategy Manager has advised that this is currently being addressed.
- 4.6. We revisited the ICT control framework to understand whether any changes to the control environment may have arisen. No additional risks emerged from this review.

5. Action Summary

- 5.1. There is 1 new finding arising from this follow-up report.

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	-
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.	0	-
Total number of agreed actions		1	

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
ICT Contract Arrangements – Follow-Up (2022/23)	Review and ensure that the IT risks in the Corporate Strategy Risk Register are fully up to date. Ongoing, work with the Head of Governance to ensure that Corporate Strategy Risk Register is formally reviewed on a regular basis by the CS Leadership Team. Prior to these regular reviews the ICT risks will be considered and updated as necessary. (Medium)	31 st October 2022	Action 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
Main Accounting and Budget Management (2022/23)	Although detailed information is provided to members via annual Budget Workshops, we will include more detailed analysis in both the annual Budget Report and Budget Monitoring reports. This will include a ‘Subjective Analysis’ of both expenditure and income budgets. (Medium)	2023/24 Budget and from Q2 Budget Monitoring (1 December 2022)	Principal Accountant (BHCC) Improvements made to the reporting as seen by members at the last meeting.

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
<p>Main Accounting and Budget Management (2022/23)</p>	<p>Reserves and reserve movements are reported through every Budget Monitoring report to management and members. We will explore with management the development of an interim P12 report (i.e. 'pre-outturn' report) to ensure that ongoing focus on expenditure and income trends is maintained while the closure of accounts process is underway. This will also inform management in identifying prepayments and accruals required. The report will be for management consideration only as a P12 interim report can only present an incomplete position that is not appropriate for member or public consumption. (Medium)</p>	<p>Q4 2022/23 (1 April 2023)</p>	<p>Principal Accountant (BHCC)</p>
<p>Main Accounting and Budget Management (2022/23)</p>	<p>We will undertake a risk-based review of budgets with management to ensure a higher level of engagement and training for budget managers with more complex budgets.</p> <p>We will also review with budget holders and management the budget profiling of income and expenditure budgets to ensure that variances are more accurate, enabling more timely review and/or action to address underlying reasons and/or recovery of the position.</p> <p>Budget Monitoring reports will be kept under constant review, to address the Authorities emerging needs, including actions agreed with Internal Audit and by reviewing best practice. We will work with SMT to consider further potential improvements. (Medium)</p>	<p>Q2 reporting (1 Dec 2022)</p>	<p>Principal Accountant (BHCC)</p>