

Report to **Policy & Resources Committee**
 Date **20 July 2023**
 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)**
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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 February 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 no reports issued since the last progress report to this committee.

Audit Title	Status	Assurance Level ¹
Seven Sisters (ICT) Arrangements	Final	Reasonable
Creditors/Accounts Payable	Final	Reasonable

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

- 3.2 Where reports have been finalised in the period, a copy of the Executive Summary for the audits are attached at **Appendix 2**.
- 3.3 We have completed all of the planned audits to date.
- 3.4 A summary of the position for any audits not yet completed can be found in the following table:

Audit Title	Position
N/A	

EU grant certification work

- 3.5 As previously reported, in addition to the planned audit work, we have additionally been commissioned by SDNPA to undertake EU grant certification work.
- 3.6 No additional claims have been certified in this reporting period.
- Action Tracking
- 3.7 **Appendix 3** provides a list of those (High & Medium) agreed management actions from previous audit reports.
- 3.8 Three medium priority actions have been implemented, 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.

Implication	Yes*/No
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? 1. Living within environmental limits 2. Ensuring a strong healthy and just society 3. Achieving a sustainable economy 4. Promoting good governance 5. Using sound science responsibly	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.

Mark Winton

CHIEF INTERNAL AUDITOR

South Downs National Park Authority

Contact Officer: Mark Winton, Audit Manager (ICT) and SDNPA Chief Internal Auditor

Tel: 07740517282

Email: mark.winton@eastsussex.gov.uk

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; Head of Finance and Corporate Services
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 – Accounts Payable/Creditors

1. Introduction

- 1.1. The National Park Authority makes payments through the Civica Financials System hosted by Brighton and Hove City Council. 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 2021/22, the following levels of activity were recorded:
 - No. of Payments: 2209
 - Value of Payments: £12,948,990.29
 - New Suppliers set up: 326
- 1.3. This review is part of the agreed Internal Audit Plan for 2022/23.
- 1.4. 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:
 - 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.

3. Audit Opinion

- 3.1. **Reasonable Assurance is provided in respect of Creditors/Accounts Payable (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 in respect of the control objectives included within this review as;
- 4.2. Urgent payments (e.g., Manual Cheques and CHAPS) were minimal and where present, they had the correct supporting documentation, with appropriate level of approval with sufficient separation of duties.
- 4.3. The process for adding new suppliers is appropriate, includes separation of duties for creation and authorisation, and all correct documentation is present. The requests were also confirmed to all come from SDNPA.
- 4.4. Testing identified that where there is a request to change standing data (e.g. supplier bank account details), there is a standard process which is followed to ensure the risk of fraud is minimised. This ensures all change requests are confirmed by the supplier through known contact details, a second person review ensures this step has been

completed and documented. No payments can be made before the change has been reviewed and authorised.

- 4.5. Authorisation rights for approval of orders were reviewed and it was found that one SDNPA officer on the approver list was no longer an active employee of SDNPA.
- 4.6. Review of the process for identifying and investigating duplicate payments found effective controls in place.
- 4.7. Whilst the controls and process for ordering goods and services are appropriate, in October 2022 retrospective orders were raised with a total value of £43,000, meaning spending commitments against budget are not allocated at the appropriate time and the authorisation control is moved to the end of the process.
- 4.8. Financial policies and procedures which help support effective service delivery are available on the SDNPA website, however, they have not been updated since July 2021, although this is only 18 months ago, we would recommend them being reviewed annually to ensure all the information is up to date and relevant.

Executive Summary – Seven Sisters (ICT) Arrangements

1. Introduction

- 1.1. Seven Sisters Country Park (SSCP) is a site owned by the South Downs National Park Authority (SDNPA) and managed by South Downs Commercial Operations Limited (SDCOL) both of which, like most modern organisations rely heavily on the use of ICT systems to carry out their duties, any issues with the delivery of the ICT can have potentially serious impacts on service provision and data security.
- 1.2. The SDNPA at SSCP outsources the provision of most ICT functions to two main providers; SOTA Solutions for most back-office ICT functions such as backups, patching, cyber support, system implementation support etc, and Amicus ITS for on-site 'help desk' support who interact with SOTA Solutions to complete this service.
- 1.3. This audit reviewed the ICT arrangements in place at the SSCP site to ensure all appropriate strategic ICT risks had been identified and to provide assurance that the controls and mitigating activity is appropriate and operating as expected.
- 1.4. This review 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:
 - All appropriate strategic ICT risks have been identified and recorded.
 - For identified ICT risks, appropriate mitigating activity and controls are in place and operating as expected.

- 2.2. We have not reviewed the financial and recharging arrangements for the provision of ICT services including licensing, assets, hardware etc at the Seven Sisters Country Park site.

3. **Audit Opinion**

4. **Audit Opinion**

3.1. **Reasonable Assurance is provided in respect of Seven Sisters (ICT) Arrangements**

This opinion means that most controls are in place and are operating as expected to manage 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 over the ICT Contract Arrangements at the Seven Sisters Country Park (SSCP) site because:
- 4.2. The South Downs National Park Authority (SDNPA) have a dedicated ICT Strategy Manager who is the main onsite ICT presence for SSCP, he works closely with other National Park Authorities and SOTA Solutions to communicate and share up to date advice on information security threats, incidents, and solutions. They are not currently part of a Warning, Advisory and Reporting Point Group however, the ICT Manager does have a National Cyber Security Centre account which they utilise to obtain information on new and emerging security threats.
- 4.3. ICT provisions are mostly outsourced to two main providers, SOTA Solutions who provide support with cyber resilience, system implementation etc and Amicus ITS who provide online helpdesk support. Annual penetration testing is undertaken by SOTA Solutions, and the results are shared with the ICT Strategy Manager after system security vulnerabilities have been identified and solutions implemented, testing is due to be completed by SOTA in line with contract obligations.
- 4.4. The SDNPA has a corporate risk register which incorporates ICT risks present at the SSCP site. An ICT Disaster Recovery plan is tested annually and key roles for staff have been identified and communicated in a Business Continuity Plan for SSCP.
- 4.5. SOTA Solutions and Amicus ITS are responsible for ensuring that their staff receive adequate training to support delivery of the service on site, both are verified with ISO27001 accreditation which supports network security.
- 4.6. All staff at SSCP are employed by SDNPA and seconded to SDCOL, mandatory Information Security and Data Protection training is completed in line with SDNPA policies, which is managed and monitored by the ICT Strategy Manager.
- 4.7. Remote access to the network is not subject to Two Factor Authentication (2FA), however geographical restrictions have been applied. 2FA has already been enabled for the MS accounts for all staff and Members, and as part of the National Park's move to Microsoft Cloud services, Premium licences have recently been procured for all staff which will allow for further remote access security measures to be put in place.
- 4.8. The authority uses an app to record the disposal of all ICT assets. It is managed and monitored through a tagging system, with the details being transferred on to an asset register, this is used in the event of someone leaving the authority to ensure the return of assets.

- 4.9. While the SSCP site is not required to have a Senior Information Risk Officer, one is appointed alongside a Data Protection Officer for the SDNPA who covers the SSCP site. The data registration for SSCP is covered under the SDCOL registration which is due to be reviewed in September 2023.
- 4.10. An ICT User Policy for SDNPA is available on the staff intranet, all new staff are required to confirm that they understand the policy, this is monitored by the ICT Strategy Manager. These policies apply equally to the SDCOL and anyone who is seconded to SDCOL and works at SSCP.
- 4.11. The buildings are controlled by access panels at door entries, these require individual entry passes to gain access. After undertaking a physical review of the area, considering any specific IT related risks, it was identified that a fire door to the meeting room was not secured and was missing a lock mechanism, this had direct access to a busy main road. Confirmation from the Commercial Manager has since been obtained that contractors have fitted the missing door handle.
- 4.12. Access to network hardware is suitably restricted with the main server and firewall being held in a room requiring an individual access pass. The ICT Strategy Manager has arrangements in place with SOTA Solutions to be available when changes to the server or system downtime is required.
- 4.13. Whilst the network infrastructure at SSCP is relatively straight forward, there are some hidden connections that may not be clear to someone unfamiliar with the arrangements.

Actions implemented (since the previous report)

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Main Accounting and Budget Management (2022/23)	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)	Q4 2022/23 (1 April 2023)	Principal Accountant (BHCC) Budget holders and senior management (if appropriate) are provided with the up-to-date financial information for closing financial year required at month 12 in order to progress closing the accounts/finalising the outturn position.
Accounts Payable/Creditors	Confirm with Brighton & Hove City Council process and check how to notify Brighton when an employee with authorisations rights leaves. Previously this was quarterly this will now be done on a monthly basis. (Medium)	31/5/2023	Lynne Govus – Head of Finance and Corporate Services Procurement Officer now contacts B&HCC monthly to remove access to Civica of anyone who has left in the month
Accounts Payable/Creditors	There will be a discussion with South Down's budget holders to ensure that the correct process is being followed and that the retrospective orders are not being processed by the same people every time. (Medium)	31/5/2023	Lynne Govus – Head of Finance and Corporate Services We used our finance training day on 22 nd March to remind staff and managers about correct ordering process. We are attempting to get others more self sufficient rather than relying on staff within Support to raise orders.

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
	None at this time		