

Report to **Policy & Resources Committee**
 Date **23 November 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 (2023/24)**
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1. Introduction

- 1.1 This report details progress against the Internal Audit Strategy and Annual Plan 2023/24, 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 23rd February 2023 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 no deviation from the approved Internal Audit Plan approved by Members at the February Policy and Resources committee.

3. Issues for consideration

Progress against Audit Plan for 2023/24

- 3.1 The following audit reports have been issued since the last progress report to this committee.

Audit Title	Status	Assurance Level ¹
Treasury Management	Final	Substantial

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 A summary of the position for any audits not yet completed can be found in the following table:

Audit Title	Position
Capital Accounting	Terms of Reference agreed
Cyber Security including Business Readiness	Pre-planning
Income Processing	Terms of Reference agreed
Seven Sisters Operational Activities	Pre-planning

EU grant certification work

- 3.4 As previously reported, in addition to the planned audit work, we are occasionally 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 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	Yes – there are no equalities issues arising from this update

Implication	Yes*/No
South Downs National Park Authority's equality duty as contained within the Equality Act 2010?	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.

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

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Appendices	<ol style="list-style-type: none"> 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 2023/24 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 – Treasury Management

1. Introduction

- 1.1. The Chartered Institute of Public Finance & Accountancy defines Treasury Management activities as ‘the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.’
- 1.2. The Treasury Management function is undertaken by Brighton and Hove City Council on behalf of SDNPA through its contract for the provision of financial services.
- 1.3. The Authority’s Treasury Management activities are regulated by a number of professional codes, statutes, and guidance. SDNPA has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates the service in compliance with this code.
- 1.4. This review forms part of the agreed Internal Audit Plan for 2023/24.
- 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:
 - The Council has established an appropriate Treasury Management Policy & Investment Strategy.
 - All borrowing decisions are based on robust cash flow forecasting over the short, medium, and long term.
 - Investments are made with approved counterparties within approved limits, are correctly paid, authorised, and are repaid by counterparties with the correct amount of interest.
 - Borrowings are made only from approved organisations, are correctly authorised, and repaid to counterparties with the correct amount of interest.
 - There is regular and independent reconciliation between the Treasury Management record, the Bank Account, and the General Ledger.
 - Decision-making is effective in maximising income, whilst safeguarding the Council’s assets.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Treasury Management.** 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.

Appendix A provides a summary of the opinions and what they mean and sets out management responsibilities.

4. Basis of Opinion

- 4.1. Based on the testing undertaken, we have been able to provide an opinion of Substantial Assurance because:
- 4.2. There is a Treasury Management Strategy and Annual Investment Strategy in place. These are regularly reviewed to ensure they comply with the CIPFA Code of Practice for Treasury Management in the Public Sector and have been approved by members.
- 4.3. A list of counterparties and associated investment limits is maintained, with this being subject to review based upon the creditworthiness of the counterparty. In addition, there are robust processes in place to ensure that requests from counterparties to change bank details are genuine.
- 4.4. Reporting mechanisms are in place to ensure that Senior Officers and members are able to assess Treasury Management performance on a timely basis.
- 4.5. Reconciliations of the Treasury Management record to the General Ledger and the bank account take place regularly. Whilst the reconciliation is undertaken by an individual who is part of the Treasury Management Function, the reconciliations are reviewed by an individual who is both independent and has sufficient expertise to review this activity.
- 4.6. Adequate insurance is held by the authority to mitigate the risk of loss through fraud.
- 4.7. There is appropriate separation of duties in place for CHAPS payments made by the authority.
- 4.8. It should be noted that the authority has not undertaken any borrowing during the 2023/24 financial year; therefore, these controls were not tested. Furthermore, sufficient testing was not undertaken regarding actual and forecasted cash flow position.

Actions implemented (since the previous report)

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

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		

