



South Downs

National Park Authority

Agenda Item 21

Report PR23/24-39

Report to **Policy & Resources Committee**
Date **29 February 2024**
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 2023 Policy and Resources committee.

3. Issues for consideration

Progress against Audit Plan for 2023/24

- 3.1 The following audit report has been 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 I**.

- 3.2 A further audit has been undertaken during this period. Details of this audit are confidential and the report on this audit is set out in the exempt **Appendix 3**. Exempt **Appendix 4** provides a list of high & medium agreed management actions.
- 3.3 Where reports have been finalised in the period, a copy of the Executive Summary for the audits are attached at **Appendix 2**.
- 3.4 A summary of the position for any audits not yet completed can be found in the following table:

Audit Title	Position
Capital Accounting	Draft report issued
Seven Sisters Operational Activities	Draft report issued

EU grant certification work

- 3.5 As previously reported, in addition to the planned audit work, we are occasionally commissioned by SDNPA to undertake EU grant certification work.
- 3.6 No additional claims have been certified in this reporting period.

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	No

Implication	Yes*/No
proposal?	
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

1. Assurance Opinions – Definitions
2. Executive Summary Income processing
3. CONFIDENTIAL PART II Executive Summary
4. CONFIDENTIAL PART II Actions implementation list.
5. CONFIDENTIAL PART II Risk Register

Appendices 3, 4 & 5 are not for publication as they contain exempt information within paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, being information relating to the financial and business affairs of a particular person including the Authority and that in all the circumstances of the case, the public interest in maintaining the exempt information outweighs the public interest in disclosing the information.

SDNPA Consultees

Interim Chief Executive; Director of Countryside Policy and Management; Interim 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 – Income Processing

1. Introduction

- 1.1. The South Downs National Park Authority (SDNPA) use Brighton and Hove City Council's (BHCC) Civica ICON e-returns system in order to report and code income electronically.
- 1.2. The Banking and Income Allocation Team in BHCC undertake the income and banking reconciliations on behalf of SDNPA.
- 1.3. A significant proportion of SDNPA income is generated from planning applications with an expected income budget of £1.335m for 2023/24. SDNPA do not have the resources to deliver the service for all of the SDNPA planning application income, so the process has been shared between SDNPA and 5 other authorities.
- 1.4. This review is 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:
 - Controls are in place to ensure income recorded into ICON and the ledger are correct, and subject to a regular reconciliation to the bank statement.
 - Planning income is correctly accounted for and accurately collected in a timely manner.
 - The banking process documentation is accurate, complete and timely.
- 2.2. Section 106 agreement funding and Community Infrastructure Levy funding ('CIL') are not included within the scope of this audit

3. Audit Opinion

3.1. Substantial Assurance is provided in respect of Income Processing (2023/24).

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. We are able to provide an opinion of Substantial Assurance on the basis that:
- 4.2. A regular reconciliation takes place between the ICON banking system and the general ledger, which ensures that all income received is assigned to the general ledger.

- 4.3. All payments are passed through the ICON banking system and are subject to review before being forwarded to South Downs National Park Authority (SDNPA) Finance.
- 4.4. There is a robust process in place to investigate and identify all unallocated payments. This involves communication across all five authorities, via e-mail, and unallocated payments are placed in a suspense account pending resolution and allocation to the correct cost centre/ledger code.
- 4.5. There is a process in place to ensure that items held in the suspense account are identified and allocated to the correct ledger code in a timely manner. There were a number of unidentified payments carried forward from the last financial year, but this was purely to afford sufficient time for these to be claimed by the appropriate area(s). Efforts remain ongoing to clear the £3.3k balance from 2022/23.
- 4.6. A regular banking process is in place to reconcile all payments and to ensure that these are allocated to the correct ledger code.