

Report to **Policy & Resources Committee**
 Date **20 February 2025**
 By **Mark Winton, Chief Internal Auditor**
 Title of Report **Update on Internal Audit Progress and Implementation of Actions**
Note

Recommendation: The Committee is recommended to note progress against the Internal Audit Strategy and Annual Plan (2024/25).

1. Introduction

- 1.1 This report details progress against the Internal Audit Strategy and Annual Plan 2024/25, 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 29 February 2024 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 agreed amendment to the approved Internal Audit Plan, detailed in section 4, below, and approved by Members at the 27 June 2024 meeting of the Policy and Resources committee.

3. Issues for consideration

Progress against 2024/25 Audit Plan

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

Audit Title	Status	Assurance Level ¹
Health and Safety	Final	Substantial Assurance
Payroll	Final	Substantial Assurance

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
Main Accounting and Budget Management	Fieldwork in progress.
Asset Management	Report issued to management.

EU grant certification work

- 3.4 As previously reported, in addition to the planned audit work, we are on occasion 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. Details of actions which are considered confidential can be found in Exempt **Appendix 4**.
 - 3.7 No high or medium priority actions have been implemented in the reporting period. Two medium priority actions relating to the Seven Sisters Country Park audit have not yet been fully implemented, delayed in part by the transfer of the South Downs Commercial Operations (SDCO) activities to SDNPA. One of the medium priority actions is reported in Appendix 4 as it is exempt information.
 - 3.8 Actions relating to a further audit are reported under Appendix 4 the details of which are exempt.
- 4. Amendment to the 2024/25 Internal Audit Plan**
- 4.1 It is important to keep the agreed audit plan under review throughout the year, to ensure that emerging risks can be reviewed as soon as they are known, in order to provide assurance over the governance arrangements and internal controls in place in order to mitigate these.
 - 4.2 One amendment to the 2024/25 Internal Audit Plan has been agreed with the Policy & Resources Committee at the June 2024 meeting, to replace Strategic Objectives Review with an Asset Management audit.
 - 4.3 No further amendments to the Internal Audit Plan are considered necessary at this time.

5. 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.

Implication	Yes*/No
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.
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.

6. Risks Associated with the Proposed Decision

- 6.1 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. Summary of high and medium priority actions
4. Summary of high and medium priority actions – exempt items

Appendix 4 is not for publication as it contains exempt information within paragraph 3 of Part 1 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

Chief Executive; Director of Landscape and Strategy; Interim Director of Planning; Chief Finance Officer; Monitoring Officer; Legal Services; Head of Governance and Monitoring Officer; Head of Finance and Corporate Services

External Consultees

None

Background Documents

Internal Audit Strategy and Plan 2024/25

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.

Health and Safety

1. Introduction

- 1.1. The objective of this audit was to assess the adequacy of the health and safety governance arrangements within the South Downs National Park Authority (SDNPA).
- 1.2. The SDNPA has a statutory duty under the Health and Safety at Work Act 1974 to secure, so far as is reasonably practicable, the health and safety of employees and others who may be affected by the SDNPA's activities. Serious harm to an employee or a service user can result in significant costs to the SDNPA as well as the possibility of reputational damage. There are also individual responsibilities under the Act, failure of individuals and organisations to comply can lead to unlimited fines and possible imprisonment. The importance of effective health and safety management has become even more crucial with the introduction of the offence of corporate manslaughter. It is therefore essential that senior management and Members are confident that health and safety governance arrangements are robust
- 1.3. The Health and Safety Executive (HSE) has developed a framework to help organisations understand the actions that they need to take to comply with health and safety legislation. The requirements set out in the HSE guidance are expected to be tailored to individual organisation's circumstances, and the HSE advocates a practical approach that seeks a balance between the unachievable aim of absolute safety, and poor management of safety that puts people at risk.
- 1.4. This review formed part of the agreed Internal Audit Plan for 2024/25.
- 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:
 - An effective governance structure is in place with clearly defined roles and responsibilities.
 - Clear policies, procedures and documentation are in place to support compliance with legal requirements.
 - Effective reporting provides the leadership of the SDNPA with the necessary information to scrutinise the organisation's significant health and safety risks and incidents.

3. Audit Opinion

- 3.1. **Substantial Assurance** is provided in respect of **Health and Safety**. 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 have been able to provide an opinion of Substantial Assurance for the following reasons:
- 4.2. An effective governance structure is in place. The Policy and Resources Committee (Members) monitors compliance with health and safety policies and plans adopted by the Authority. The Operational Management Team (OMT) is responsible for the strategic direction of health and safety management and for monitoring and reviewing health and safety arrangements. The Health and Safety Committee, which includes managers, officers and safety representatives,

meets quarterly. Roles and responsibilities for health and safety are clearly documented in the Health and Safety Policy, which also includes Terms of Reference for the Health and Safety Committee.

- 4.3. The SDNPA has health and safety policies and procedures covering the significant risks that arise in day-to-day work activities. We also found that new staff undertake health and safety training as part of their induction, with refresher training also provided periodically; completion rates for health and safety courses are high, and appropriate monitoring and chasing up of non-compliance was found to be taking place.
- 4.4. Our review found that clear information on health and safety is provided to volunteers working on behalf of the organisation through induction training and the volunteer agreement.
- 4.5. Information on health and safety is provided to contractors at the procurement stage, however there is no overarching policy or standard in place for managing contractors which would cover the whole process through to contract management, monitoring and review. This increases the risk that processes are not implemented effectively and that staff are not fully aware of their roles and responsibilities.
- 4.6. The Head of Governance maintains a corporate risk register for risks considered to be significant. We reviewed a sample of health and safety related risks and these were found to be appropriately assigned with mitigations in place. Incidents and near-misses are also recorded and monitored.
- 4.7. Effective reporting was found to be in place; reports of incidents and near-misses are provided to OMT and the Health and Safety Committee each quarter. A detailed annual report on health and safety is also submitted to the Policy and Resources Committee.
- 4.8. The Health and Safety Policy could be improved with the inclusion of a detailed statement of intent; this forms part of the model policy published by the HSE. As an addition, the introduction (or statement of intent if introduced) could be co-signed by the Chair of SDNPA or the Chair of the Policy and Resources Committee.
- 4.9. Lastly, we found that there are no performance measures in place for health and safety matters. It would be good practice for performance measures to be developed to check controls are working; without such measures, there is an increased risk that Members and senior management may be unaware of health and safety issues, and areas for improvement may be more difficult to identify.

5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk rating in the context of the area under review:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	N/A
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.	2	2 & 3
Total number of agreed actions		3	

Payroll

1. Introduction

- 1.1. 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.
- 1.2. The monthly cost of pay is around £415k (gross pay) for 154 employees.
- 1.3. This review is part of the agreed Internal Audit Plan for 2024/25.
- 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:
 - Controls are in place to ensure 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.
 - Controls are in place to ensure all claims and reimbursements are legitimate and are processed in accordance with approved policies.
 - Controls are in place to ensure all bank account change requests are legitimate.
 - Controls are in place to ensure payroll activity is accurately reflected in the main accounting system.
- 2.2. The controls surrounding the recruitment process and recruitment activity are considered outside of the scope for this audit, controls in this area will be evaluated as part of future HR related audits.

3. Audit Opinion

- 3.1. **Substantial Assurance** is provided in respect of **Payroll**. 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 have been able to provide Substantial Assurance over the controls operating within Payroll at SDNPA because:
- 4.2. Appropriate controls are in place and working effectively for the processing of starters, leavers and amendments. The samples we tested indicated controls were in place to ensure appropriate separation of duties where necessary, thorough pre-employment vetting checks for new starters, and changes were actioned promptly.
- 4.3. A review of the controls in place for casual staff appointments and pay found the controls to be operating effectively. Casual staff are subject to the standard pre-employment vetting checks, given necessary training for the role, and shifts are appropriately approved and managed. Pay claims are submitted as an expense, which is verified and approved before payment is made.

- 4.4. A review of the monthly payroll confirmed controls are operating effectively for accurate and complete payroll processing. There is a separation of duty for the review and approval of the pre-payroll report. Validation and reconciliation of the payroll each month is processed by the Financial Information System (FIS) Team at BHCC and reconciliations are undertaken to ensure the pay run is recorded accurately in the General Ledger in a timely manner.
- 4.5. A review of employee’s expense claim requests showed appropriate controls are in place for the authorisation of claims. All tested claims had appropriate authorisation of the line manager assigned on PIER. An up-to-date policy existed for Travel and Subsistence expense claims. It was noted that mileage claims were not supported by VAT receipts, whilst this is not a requirement stated in the policy, it may have potential implications on the business reclaiming VAT from HMRC and may be something Management wish to consider.
- 4.6. Some of the tested travel claim forms had not been completed fully with the full address for start/end of travel and did not state whether Ordinary Commuting Miles (OCM) had been deducted from the mileage. It is noted that the Travel and Subsistence Policy does state that OCM must be deducted from mileage claims and the policy has been circulated amongst employees. However, it cannot be determined claimants have implemented this on their expense claim form.
- 4.7. There is a good understanding and appropriate controls in place to ensure employee’s bank details change requests are legitimate by verifying the change request directly with the employee.
- 4.8. The action from the previous payroll audit of ascertaining whether a DPIA is required for the ‘When I Work’ application had been actioned. It was confirmed a DPIA was not required as there were no major data protection issues with the app.

5. Action Summary

- 5.1. The table below summarises the actions that have been agreed together with the risk rating in the context of the area under review:

Risk	Definition	No	Ref
High	This is a major control weakness requiring attention.	0	N/A
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	0	N/A
Low	This represents good practice; implementation is not fundamental to internal control.	1	1
Total number of agreed actions		1	

High and Medium Risk Actions implemented (since the previous report)

Audit	Agreed Actions (with risk level)	Due	Officer Responsible / Update
	None to report		

High and Medium Actions overdue for implementation

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Seven Sisters Country Park – Operational Activities	<p><u>Cash Handling Policy and Procedure</u></p> <p>We will work with BHCC finance to revise the cash/income handling policy, the revision will include the extra pay points which are planned to be added later in the year. (Medium)</p>	30 July 2024	<p>Commercial and Strategic Manager – Seven Sisters</p> <p>This action remains in progress, We are still waiting for the full handover of the pay points to SDNPA so can't complete this until that has happened.</p>

High and Medium Actions not yet due

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Financial Management of Project Budgets	<p><u>Reporting of Projections:</u></p> <p>We will specify budget monitoring report which will allow us to effectively management project forecasting project budget monitoring consistently over the entire project lifecycle. (Medium)</p>	31 March 2025	Head of Finance and Corporate Services
Financial Management of Project Budgets	<p><u>Monitoring of Project Finances:</u></p> <p>We will implement actions as per Finding I above (Reporting of Projections) which will allow us to</p>	31 March 2025	Head of Finance and Corporate Services

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
	<p>reduce the number of local monitoring spreadsheets in place. (Medium)</p> <p>We will ensure that SDNPA Officers are reminded of the need to complete forecast information requested by B&HCC Officers.</p>		
Health and Safety	<p><u>Management of Contractors</u></p> <p>We will develop an overarching procedure document which sets out how we will manage health and safety risks associated with contractors on site.</p>	30 June 2025	Facilities & Property Manager