

Executive Summary – Capital Accounting

1. Introduction

- 1.1. The South Downs National Park Authority (SDNPA) operates a Medium-Term Financial Plan (MTFP) which outlines the fiscal strategy and expectations for a 5-year period. The Capital Programme represents anticipated capital financing requirements and expenditure over this MTFP period.
- 1.2. The Capital Programme requires specific approval by the Authority; in conjunction with the annual revenue budget, and it outlines the phasing of expenditure and the sources of funding.
- 1.3. The Authority's Capital Programme for 2020/21 to 2024/25 forecast a total of £2.390m capital investment, with £0.789m planned for 2023/24.
- 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 that the Authority has effective control over the management of its capital programme including compliance with accounting regulations and other internal controls, to meet the following objectives:
 - The Capital Programme, strategy and plan have been formally documented, approved by Members and meets the priorities of the Council.
 - The Capital Programme monitoring arrangements are effective and timely in delivering stated outcomes.
 - All funding due from the 3rd parties and capital grant providers is drawn down in a timely manner and the conditions of the grant provider are met.
 - Capital receipts are received in a timely manner.
 - The council critically assess its capital borrowing requirements.
 - Capital activity is accurately reflected in the financial accounts.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Capital Accounting.** 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 audit opinion of Substantial Assurance as there are well established accounting practices, processes, and procedures in place to support the management of the Authorities Capital Programme.
- 4.2. The Capital Programme has been running since 2020/21 and has well established lines of reporting and decision making. The Capital Programme reports into the Policy and Resources Committee and decisions arising are then presented for agreement at the full National Park Authority meetings.

- 4.3. The Policy and Resources Committee's responsibility is set out with the Committee Terms of Reference.
- 4.4. Controls are in place to ensure that individual projects within the Capital Programme make a contribution to the Authority's objectives.
- 4.5. Performance against budget is reported on a monthly basis to the Project team, and quarterly to the Policy and Resources Committee and the full Authority, with any monthly variations clearly specified. The Capital Programme is currently forecasting a net zero variance for the full year, as any variances which have been identified have resulted in a request for additional funding and/or a re-forecast of the budget, and this has been clearly presented at the relevant meetings.
- 4.6. A robust reporting framework exists which requires active participation by the Authority's Project Managers and the Finance staff at Brighton and Hove City Council (BHCC).
- 4.7. The Authority has recently implemented a new submissions and reporting process for the delivery of the key projects within the Capital Programme, which replaces the previous project brief approach. We have seen evidence that key projects are being put through this new process. 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.
- 4.8. 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.
- 4.9. 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.
- 4.10. 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.
- 4.11. A regular banking process is in place to reconcile all payments and to ensure that these are allocated to the correct ledger code.

Seven Sisters Country Park – Operational Activities

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).
- 1.2. The site consists of approximately 280 hectares including chalk cliffs, a river valley, and open chalk grassland intersected by a busy road. The park receives around 3/4 of a million visitors per annum.
- 1.3. A number of activities operate on the site, including car parks, food outlets, a camping barn, toilets and a visitor centre, as well as providing buildings for leaseholders.
- 1.4. SSCP is run by staff employed by the National Park, seconded to SDCOL, under an Operating Agreement which details the operational arrangements for these activities.
- 1.5. The overarching objective of this audit was to provide assurance that the operational arrangements in place are operating as expected, to support the effective delivery of services from the perspective of SDNPA.
- 1.6. This review forms part of the agreed Internal Audit Plan for the 2023/24 financial year.
- 1.7. 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 Operating Agreement in place is robust, subject to regular review and is sufficient to allow the appropriate management of the SSCP;
 - Expenditure is controlled, and funds are used for a purpose consistent with the activities of the Country Park;
 - The Country Park ensures value for money on contracts and larger purchases;
 - All income due to the Country Park is collected, recorded and banked promptly;
 - Roles and responsibilities for Health & Safety and Security arrangements on the site are clearly documented and understood.
- 2.2. The audit did not look at the controls operating over the following areas:
 - Land Management;
 - The overarching governance and financial/recharging arrangements for the company.
- 2.3. It should be noted that this audit was undertaken from the perspective of assessing the risk to the South Downs National Park Authority and wasn't an audit provided to or of the trading companies activities.

3. Audit Opinion

- 3.1. **Partial Assurance is provided in respect of Seven Sisters Operational Activities.**
 This opinion means that 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.

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 Partial Assurance in respect of the Seven Sisters Operational Activities for the following reasons:
- 4.2. The audit was designed to review the operating risks from the perspective of South Downs National Park Authority (SDNPA) and was not intended to be an operational audit of the Seven Sisters Country Park (SSCP) itself, however, we found it difficult to differentiate where the SDNPA roles and responsibility ends and SDCOL responsibility begins as clear operating boundaries have not been formed between the two entities, this made the audit a complex undertaking. This is because, whilst there is an Operating Agreement for SSCP in place it was found that in practice there is confusion in terms of the day to day responsibilities of Officers. This is further complicated by the number of people involved in the operational management of the site, including those seconded to the operating company and those employed directly by and working for the SDNPA.
- 4.3. The lack of clarity in terms of roles and responsibilities and SSCP not operating as its own entity has, we believe, contributed to there being a significant risk to the operations at the SSCP as there is confusion around individual's and organisational responsibilities for tasks including, Health & Safety, collecting income and many of the general operations at the site.
- 4.4. The SSCP is a commercial enterprise with a number of income streams; there is no formal up to date income handling policy and procedure in place which could lead to income not being managed and accounted for correctly.
- 4.5. The income collection processes are complex, with a number of people involved from both SSCP and SDNPA and within Brighton & Hove City Council moving funds from SDNPA to the SSCP cost centres and vice versa. Testing found that invoices had not been raised in order to collect the property rental (as a percentage of income) for the Granary Barn.
- 4.6. Whilst there is a contract register in place it was found to be out of date and therefore does not support management of the key contracts that are held by SDCOL/SDNPA. A contract register is important in ensuring payments are made correctly, contact details are available and forward planning can be undertaken to ensure the best terms for future contracts are obtained.
- 4.7. We understand that declarations of interest are completed by new staff and these are reviewed annually. The declarations are held on the payroll system and are not routinely visible to those who would need to see them, which could result in opportunities to manage the risks associated with the declared conflict not being managed.
- 4.8. Health & Safety arrangements are confused with oversight by a number of bodies including the SDNPA Health & Safety Committee and the Company Board, as well as a SDNPA Health & Safety Advisor. Whilst more oversight could be seen as a positive, without clear understanding of the relative roles and responsibilities, roles could be misunderstood leading to a shortfall in good governance and increased risks.
- 4.9. We reviewed the Health & Safety arrangements in place for one of the establishments within the SSCP. We found that the Grab 'n' Go food and beverage establishment had 'safer food' training manuals, COSHH ¹risk assessments and food allergy documentation, however, there was no specific Health & Safety risk assessment for the Grab 'n' Go covering the risks within the establishment, for example, coffee machine, boiling water etc.
- 4.10. The Business Continuity Plan developed for the SSCP has been developed by SDNPA staff and does not clearly outline responsibilities for SDNPA and SDCOL.

¹ Control of substances hazardous to health

- 4.11. Whilst improvements need to be made as identified above, we found a number of areas of good control including:
- 4.12. There is an experienced team seconded to the SSCP who care about the commercial success of the park and are putting plans in place to maximise the opportunities for the SSCP.
- 4.13. Income reconciliation processes are robust for the cash and card payments received to ensure the payments are assigned to the correct cost centre.
- 4.14. We reviewed the upcoming contract tender arrangements for the management of the cottages, camping field and campsite and the arrangements (if followed) were found to be appropriate with suitable input from the respective Legal and Procurement teams to support the shortlisting, scoring and to ensure a suitable contract will be produced.
- 4.15. Purchasing card transactions are subject to appropriate review and authorisation.

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.	2	4, 8
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	7	1, 2, 3, 5, 6, 7, 9
Low	This represents good practice; implementation is not fundamental to internal control.	0	0
Total number of agreed actions		9	

