

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.

Creditors/ Accounts Payable

1. Introduction

- 1.1. Accounts Payable is the end-to-end process through which South Downs National Park Authority (SDNPA) purchase goods and/or services and makes payments through the Civica Financial System hosted by Brighton and Hove City Council (BHCC). the Creditors IT system uses both the Civica Purchasing and Creditors modules of the Civica Financials application.
- 1.2. For the financial year 2023/24, SDNPA made 3691 payments of approximately £13.1 million in purchase order and non-purchase order invoices. SDNPA also set up 247 new suppliers.
- 1.3. This review is part of the agreed Internal Audit Plan for 2024/25.
- 1.4. This audit aimed to provide assurance on the control framework for ensuring payments are correctly made to suppliers for goods, works and services properly incurred delivered.
- 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:
 - Orders are only raised, and invoices paid, for goods, works, and services that are needed by SDNPA.
 - All payments are made to the correct vendors, for the correct amounts in a timely manner and only for goods, works, or services ordered and received satisfactorily by SDNPA.
 - Only vendors that meet the needs of SDNPA, and that do not already exist in the accounting system, are set up and their details are maintained accurately.

3. Audit Opinion

- 3.1. **Substantial Assurance is provided in respect of Creditors/ Accounts Payable.** 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

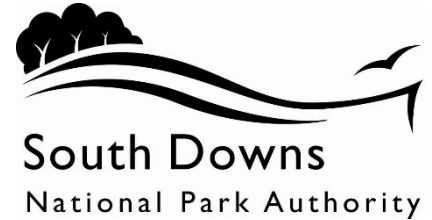
- 4.1. We are pleased to provide Substantial Assurance for the following reasons:
- 4.2. Controls are in place to ensure purchase orders are raised in advance for the purchasing of goods, works and services unless it is an order for services clearly exempted in the financial procedures.

- 4.3. There are appropriate processes in place to raise and approve purchase orders with suitable segregation of duties, or self-approved purchase orders of up to £100, and controls to ensure appropriate delegated approval levels.
- 4.4. There is a further control implemented for large purchase orders in which a secondary approval process for purchase orders over £20,000 is completed by the BHCC payments team who manage payments for SDNPA.
- 4.5. Controls are operating effectively to ensure payments are not release by the BHCC payments team until processes for goods receipting has been completed on the Civica system.
- 4.6. Non-purchase order payments also have a comprehensive process which ensures that all requests for payments are completed with an approvals process.
- 4.7. Testing found that controls are in place to ensure payments are made in a timely manner to creditors within payment periods stipulated by the invoices or otherwise within 30 days of the invoices.
- 4.8. Due to the working partnership between BHCC and SDNPA, BHCC payments team have processes implemented that helps ensure duplicate invoices and vendors are identified, including automated check for duplicate invoices each day and a system warning if vendor information is similar to one already present on the system.
- 4.9. Adding a new creditor to the system requires the creditor to complete forms that include their billing information. These forms are either sent directly to BHCC or forwarded from SDNPA. Requests to update billing information follow the same process as a new creditor and the same form is filled out with the new information. To mitigate the risk of fraud, these change requests are checked by SDNPA with a previously known form of communications prior to being sent to the BHCC payment team for inputting.

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.	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	



Financial Management of Project Budgets

1. Introduction

- 1.1. South Downs National Park Authority (SDNPA) administers and manages grant monies received from external parties to support delivery of projects within the authority.
- 1.2. The objective of this review was to assess the council's current governance and internal control arrangements for the administration of grant monies received on behalf of the authority, this review will focus upon the administration, monitoring, and reporting of project expenditure, to ensure it meets the conditions required by the awarding body and expected finance standards in operation within the authority.
- 1.3. At the time of our review, SDNPA was overseeing the management of approximately £800K in grant funds for the 2023/24 financial year.
- 1.4. This review forms part of the agreed Internal Audit Plan for the 2024/25 financial year.
- 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:
 - Responsibility for each project is clearly defined to ensure expenditure is monitored and incurred in required periods and in line with funding conditions.
 - Project budgets are subject to effective financial monitoring to ensure that project expenditure is spent in line with identified budgets and agreed funding conditions.
 - Project expenditure is subject to appropriate checks to ensure that payments are compliant with agreed funding conditions.
- 2.2. Information on projects received by the authority is reported in the authorities' accounts and, where required, data is published on project outputs. To support this audit, we conducted interviews with a sample of four project officers to understand the high-level controls in place. No detailed testing was performed of the reviewed budgets.

3. Audit Opinion

- 3.1. **Partial Assurance is provided in respect of Financial Management of Project Budgets.** 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 management of the project budgets for the following reasons:
- 4.2. The Brighton & Hove Finance team administers the reporting of project budgets for the South Downs National Park Authority. The finance team maintains a master list of projects with all relevant information and controls are in place to keep this document up to date.
- 4.3. Checks conducted on a sample of project budgets confirmed that each project has an assigned budget holder and project lead. Training has been provided to those who have responsibility for budgets and a sample of officers confirmed awareness of their roles and responsibilities for managing grant claims.
- 4.4. We noted that there was no standard budget monitoring process in place for the administration of South Downs projects. During our review, project budgets were monitored using various documents developed by the Brighton & Hove finance team, project officers, and awarding bodies.
- 4.5. South Downs project officers had limited access to the CIVICA ledger system, with access restricted only to the procurement module. However, transaction data is provided by B&HCC Finance as well as a management accounting report which is considered by the Head of Finance and Corporate Services to be sufficient for the Authorities purposes.
- 4.6. The Brighton & Hove finance team has developed a budget monitoring report, issued monthly to officers upon request. Our review found that this report provides a snapshot of current expenditure and do not reflect the forecast outturn position. Additionally, the Brighton & Hove finance team's approach to managing multi-year projects focused on the current financial period. This resulted in projections being overstated in the project's early years, with monitoring reports provided to project officers reflecting only the current year's expenditure and project outturn, this creates a significant risk to SDNPA's ability to monitor budgets effectively for multi-year grant allocations.
- 4.7. The current budget monitoring process does not enable South Downs project staff to inform the Brighton & Hove finance team of project developments or changes to project outturns. Budget reports are not returned to the finance team, and budget discussions occur only at the end of the financial year.
- 4.8. Project-related expenditures are managed through purchase orders. In our discussions with officers, we reviewed expenditures on a sample of current projects, and found them to be appropriate.
- 4.9. During our review, we learned that the Brighton & Hove Finance team was revising the budget monitoring documents for South Downs projects.

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.	0	N/A
Medium	Existing procedures have a negative impact on internal control or the efficient use of resources.	2	1-2
Low	This represents good practice; implementation is not fundamental to internal control.	0	N/A
Total number of agreed actions		2	

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

Audit	Agreed Actions (with risk level)	Due	Officer Responsible / Update
Seven Sisters Country Park – Operational Activities	<p><u>Contracts Register</u></p> <p>We will identify those contracts that are held in the name of SDNPA and SDCOL. (Medium).</p>	5 May 2024	<p>Commercial and Strategic Manager – Seven Sisters</p> <p>The contract register for SSCP was completed at the end of June 2024.</p>
Seven Sisters Country Park – Operational Activities	<p><u>Income Collection Processes</u></p> <p>Efforts to separate the SSCP income sources from SDNPA bank accounts (and vice versa) will continue subject to the review of the management of SSCP expected to begin in March 2024. (High)</p>	30 November 2024	<p>Finance Officer - As of 9th October 2024, the Operating Agreement between SDNPA and SDCO terminated. All operational activity for SSCP has been brought back in-house under SDNPA, the action is now void.</p>
Financial Management of Project Budgets	<p><u>Reporting of Projections:</u></p> <p>We will meet with B&HCC Finance colleagues to ensure Budget forecasting information is reflected within and embedded in budget monitoring reports for both officers and members consistently. (Medium)</p>	01 November 2024	<p>Head of Finance and Corporate Services - B&H have approved the suggested proforma. The proforma will be used for the remainder of this financial year (which will require some time to fully populate as it requires retrospective information) and then go live with it in 2025-26. The Head of Finance and Corporate Services will be writing a process note to support use of the proforma.</p>

High and Medium Actions overdue for implementation

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Seven Sisters Country Park –	<p><u>Cash Handling Policy and Procedure</u></p>	30 July 2024	Commercial and Strategic Manager – Seven Sisters

Audit	Agreed Actions (with priority)	Due	Officer Responsible / Update
Operational Activities	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)		This action remains in progress, SDNPA Officers have met with B&HCC Officers to revise the cash/income handling policy. SDCO transferred to SDNPA in Oct so waiting for the new pay points to be delivered under new contract then can complete. The implementation of this action has been delayed slightly by the transfer.

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 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>	31 March 2025	Head of Finance and Corporate Services