

Internal Audit Report
For the High Weald Joint Advisory Committee
on the Internal Controls
at High Weald Area of Outstanding Natural Beauty Unit 2013/14

Final Report To:	Mo Hemsley – Assistant Director, Business Services Department Geoff Mee – Assistant Director, Environment, CET Sally Marsh – Director, High Weald AONB Unit Jason Lavender – Director, High Weald AONB Unit Gerry Sherwin – Business Manager, High Weald AONB Unit
Draft Report To:	Tom Alty – Finance Manager, Business Services Department Gerry Sherwin – Business Manager, High Weald AONB Unit
Report Date:	June 2014
Audit Manager:	Russell Banks
Auditor:	Danny Simpson
Assignment Reference:	V1-001-07
Document Version	Final

Contents

- 1. Introduction, Background and Scope**
- 2. Executive Summary and Audit Opinion**
- 3. Appendices:**
 - a. Acknowledgements
 - b. Definitions of Audit Opinions and Recommendation Risk Ratings
 - c. Control Objectives

1. Introduction, Background and Scope

- 1.1 A review of the High Weald Area of Outstanding Natural Beauty (AONB) Unit has been undertaken in accordance with the annual Internal Audit plan for 2014/15. This review has sought to give assurance to management on the overall effectiveness of internal controls relating to the financial system, including the use of East Sussex County Council's main SAP accounting system, and risk management, and to identify any areas of concern or weakness so that these can be addressed.

Background Information

- 1.2 The High Weald AONB Unit is based in an office in Flimwell and employs 7 officers. East Sussex County Council (ESCC) officers provide financial, ICT and accommodation support from their headquarters at County Hall in Lewes.
- 1.3 High Weald AONB operations are part of ESCC. Financial transactions are recorded on the SAP Financial System and therefore should comply with ESCC financial policies and procedures:

Audit Scope

- 1.4 The High Weald AONB is constituted as a Joint Committee and is required to be audited under the Audit Commission Act 1998. Each year, an Annual Return for Small Bodies is completed as required by the Audit Commission. As part of the annual return, a statement on the effectiveness of internal controls is completed by the Head of Assurance, for the High Weald AONB Treasurer. This statement forms section 4 of the statutory Annual Return.
- 1.5 The opinion in this report will be used to support the Annual Governance Statement.

2. Executive Summary and Audit Opinion

2.1 Based on the work completed as part of this review we are able to provide the following opinion over the control framework:

Audit Opinion			No Assurance	Minimal Assurance	Partial Assurance	Substantial Assurance	Full Assurance
Direction of Travel							
Improved	Unchanged	Reduced					
	X						X
Key Findings							

No recommendations are made in this report.

There have been no changes to the system, other than a reduction in the scale of operations.

We are again able to give full assurance on the effectiveness of internal controls at High Weald AONB in this report.

Control Objective	System Status	Compliance Status	Recommendations Raised		
			***	**	*
Appropriate accounting records have been kept properly throughout the year.	Green	Green	0	0	0
Financial regulations have been met, payments were supported by invoices, expenditure approved and VAT was appropriately accounted for.	Green	Green	0	0	0
The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Green	Green	0	0	0
The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Green	Green	0	0	0
Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Green	Green	0	0	0
Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	Green	Green	0	0	0
Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	Green	Green	0	0	0
Asset and investments registers were complete and accurate and properly maintained.	Green	Green	0	0	0
Periodic and year-end bank account reconciliations were properly carried out.	Green	Green	0	0	0
Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	Green	Green	0	0	0

Acknowledgements

We should like to take this opportunity to thank the following staff for their help and advice throughout the course of the audit:

- Gerry Sherwin, Business Manager, High Weald AONB Unit
- Tom Alty, Finance Manager, Business Services Department
- Paul Fielding, Senior Finance Officer, Business Services Department
- Elma Pavey, Accounts Assistant, BSD

Definitions of Audit Opinions

- Full Assurance:** *There is a sound system of control designed to achieve the system objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.*
- Substantial Assurance:** *Whilst there is a sound system of control, there are a small number of weaknesses which put some of the system/service objectives at risk, and/or there is evidence of non-compliance with some controls. Opportunities to strengthen control still exist.*
- Partial Assurance:** *Controls are in place and to varying degrees are complied with, but there are gaps in the control process which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.*
- Minimal Assurance:** *Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve will lead to an increased risk of loss or damage to the Authority.*
- No Assurance:** *Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the system or service objectives. A high number of key risks remain unidentified and/or unmanaged.*

Recommendations Risk Ratings

- A three star rating (***):** *Applies to audit findings which are considered to relate to weaknesses in a fundamental control or high risk area and require urgent action by management.*
- A two star rating (**):** *Applies to weaknesses in the control system which are not considered serious, but still represent a risk and need to be addressed within a reasonable period.*
- A one star rating (*):** *Given in respect of findings which, although relatively minor and low risk, provide an opportunity to improve the control framework.*

Control Objectives

Appendix C

The key control objectives of this audit were to ensure that:

- Appropriate accounting records have been kept properly throughout the year.
- Financial regulations have been met, payments were supported by invoices, expenditure approved and VAT was appropriately accounted for.
- The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.
- Asset and investments registers were complete and accurate and properly maintained.
- Periodic and year-end bank account reconciliations were properly carried out.
- Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.