

PROGRESS AGAINST THE 2013/14 AUDIT PLAN

1. INTRODUCTION

- 1.1 The purpose of this report is to inform members of the Audit Committee of progress made against the 2013/14 audit plan, which was approved in March 2013.

2. INTERNAL AUDIT PLAN 2013/14 KEY POINTS

- 2.1 Appendix 1 shows the progress made against the audit plan. Progress is demonstrated by recording the current status of each audit at the time of putting this report together (18th December 2013).
- 2.2 Where audits have been completed, the assurance level and number of agreed recommendations made have been shown. (The Internal Audit Charter provides a description of assurance levels. Reasonable and Substantial assurance levels are positive outcomes).
- 2.3 A number of audits are currently at draft stage. The Auditor will be discussing and agreeing with services which officers will be responsible for the relevant actions and to what deadlines. It is planned that a number of the final outcomes will be available by the date of the Audit Committee. The Internal Audit Manager will update Committee members with the latest results on the day.
- 2.4 One audit has been provided limited assurance – Central Purchasing Unit/Stores. All recommendations made were agreed with the service. Audit will monitor progress made and will report any concerns or uncompleted high priority recommendations back to Committee. The key weaknesses surrounded not always following the new Contract Standing Order Policy and guidance. Any breaches of Financial Regulations or Contract Standing Orders are reported to the Executive Director S151. Where these breaches are of a very serious nature they will be brought to the attention of Audit Committee.
- 2.5 At the September meeting it was explained that an Auditor was supporting the Contracts process. This work has now been transferred to the responsibility of the Procurement Manager. The same auditor has now resigned leaving the authority on the 6th December 2013. As a result of the changed resource levels and changing risks across the Council, the internal audit plan has been reviewed. Appendix 1 details the expected position at the year end.
- 2.6 The two lowest risk audits totalling 30 days have been deleted from the audit plan following consultation with the relevant Head of Service and Executive Director (S151). These are Environmental Health – Commercial and Highways & Traffic Management Agency agreement.
- 2.7 Four new risk areas have been added to the audit plan totalling an estimated 39 days. These include; Banking Arrangements (Co-Op), Treasury Management SLA, Finance and Risk management on loans and Human Resources. The outcomes of the banking work will be shared with all members by the Executive Director (S151).
- 2.8 The IT audits are of higher risk and will be completed within the year. The Dorset audit partnership will be able to provide a skilled auditor to undertake this work.
- 2.9 Three audits including Parking, Refuse and Community Safety/CCTV will be commenced during 2013/14 but are not expected to be completed until early April 2014.

- 2.10 The assessment leaves three audits, totalling 30 days not allocated. It is planned that there will be resources (10 days) to complete one of these three audits. The final risk assessment has yet to be agreed with the Executive Director (S151) and EMT. This will be concluded on the 7th January 2014. These include Elections (payments), Economic Development and Partnerships. The highest risk audit will be undertaken and the plan will continue to be monitored.
- 2.11 Current and future resource requirements are being reassessed with the Executive Director (S151). Future needs of the Dorset sites are also being considered. NFDC's vacancy management process will be followed to replace the vacant post, as well as considering the potential impact that a change in International Auditing Standards may have on the work which is undertaken by Internal Audit on behalf of the External Auditor.
- 2.12 Appendix 2 lists other audit work where the outcome will not result in an issued report, therefore assurance levels are not provided. Work for Third parties is recorded within this Appendix. Both Town Council Audits were completed on time. There are no significant issues or frauds that need to be brought to your attention at this time.
- 2.13 Internal Audit monitors progress made against agreed audit recommendations. Where high priority recommendations are overdue (at the time of preparing this report) they are reported to EMT and Audit Committee. The following recommendations remain overdue;
- Two recommendation surrounding PCI DSS
One will be completed on 7th January 2014, this relates to the approval of a policy. The second relates to the appointment of a Qualified Assessor. This process is currently underway. All other recommendations have been completed pending the outcome of the external assessment. A significant piece of work has been completed since the last update in September, where upgraded software has been rolled out to all relevant sites.
 - Experian
The current system does not provide adequate management information. This service was tendered in early 2013 and a further procurement exercise has been undertaken since the last update in September. The evaluation results are unknown at the time of preparing this report.
 - Accounts Receivable
The Accounts Receivable system currently operates across two systems dependant on whether the Invoice is a reoccurring charge (known as a Periodic) or a one off invoice. The part of the system which is used to raise, manage and store one off invoices is no longer supported by the software provider. This risk has been raised in the last 2 annual audits. A long action date was agreed to ensure there was sufficient time to test the module. Internal Audit can evidence that testing has been completed on the new supported software which is already running for periodic invoices however the extended due date has been exceeded.
This recommendation remains uncompleted although testing has resumed.
 - Provision of swipe cards
This recommendation had previously been reported to Audit Committee and subsequently removed as completed, however in light of the recent Co-Op risks, audit has reopened this recommendation and will monitor with the wider bank tender.
 - "Other" new recommendations which have become due
There are a small number of high priority recommendations not previously reported to Audit Committee surrounding VAT on travel costs, Business Continuity, Workshops and Feeder reconciliations which have become due, or will be due by 31st December 2013. Audit are awaiting evidence or are currently testing activities before the recommendation is signed off as complete. There are no immediate concerns however any deemed incomplete will be reported to Audit Committee.
- 2.14 There are no frauds or audit investigations that need to be reported.

3. FINANCIAL IMPLICATIONS & CRIME AND DISORDER IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report, however inadequate coverage may result in areas of control weaknesses not being identified with the raised potential for fraud and adverse comment from the External Auditor with regards to the level of assurance that can be placed on the work of the internal audit team.

4. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

- 4.1 There are no matters arising directly from this report.

5. RECOMMENDATION

- 5.1 The Audit Committee note the content of the report.

For Further Information Please Contact:

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Background Papers:

Internal Audit Plan 2012/13
Audit Committee - July 2012

Audit Area	Days	Q1-Q3	Q4	Assurance level	Number of Recommendations				Additional Comments
					High	Medium	Low	VFM	
Income streams	20	WIP		N/A	N/A	N/A	N/A	N/A	
Expenditure streams	20	WIP		N/A	N/A	N/A	N/A	N/A	
Subsidy Testing	50	Completed		N/A	N/A	N/A	N/A	N/A	
Governance	15	Completed		N/A	N/A	N/A	N/A	N/A	Review of Local Code of Good Governance
NEW Treasury Management SLA - see table over page	5	Completed		N/A	N/A	N/A	N/A	N/A	
Leader (on third party behalf)	2	Completed		N/A	N/A	N/A	N/A	N/A	
Resident Involvement	5	Completed		Reasonable	0	4	4	1	
Dog Wardening	8	Completed		Reasonable	0	5	7	0	
Pest Control	8	Completed		Reasonable	0	6	4	2	
Land Charges	15	Completed		Reasonable	1	3	0	0	
Housing Needs/ Homelessness / Housing Register/B&B	15	Completed		Reasonable	1	12	6	2	
Engineering Works	15	Completed		Reasonable	1	15	3	3	
Trees (Council owned)	10	Completed		Reasonable	2	10	6	0	
Central Purchasing/Stores	15	Completed		Limited	5	8	3	3	
Accounts Payable	15	Completed		Reasonable					
Procurement/Contract Management	30	Draft		Audit Committee will be updated with final report outcomes at the meeting.					
NEW Human Resources - see table over the page	15	Draft							
Income	15	Draft							
Landlord services (rents)	15	Draft							
Council Tax	20	Draft							
Accounts Receivable	15	Draft							
Member Allowances & Expenses	5	WIP							will be completed in January
Payroll (inc NFNPA testing)	25	WIP							work continues into January
Information Governance	15	WIP							work planned into February
Building Works - Reactive	15	WIP							Ongoing as project dates extended
NNDR	20								Planned start in January
Main Accounting System inc bank reconciliation	20								Planned start in February
Benefits & Fraud Investigation	15								Planned start in February
Section 106 / CIL	10								Planned start in February
Safeguarding	2								Completed in February
IT Audit	15								Will be completed by an Auditor from the Dorset Partnership in February
ICT Maintenance	15								Planned start in March
Treasury Management	5								Planned start in March
Sports, Play Development & Other Community Grants	15								Planned start in March
Asset Management	10								Planned for March as a follow up
Estate Management Valuers & Hythe Market	15								Planned for March as a follow up
Partnerships or Economic Development or Elections	10								To be assessed

During Quarter one, both Town Council audits were completed. This equated to 11 days of work for a fee.

During Quarter two and three, audit time also provided to NFNPA. Result of these audits are not provided to NFDC.

Risk Assessed Audit Plan - Audits added due to new emerging risks

Audit Area	Days	Comment
Human Resources	15	Agreed with Executive Director (S151).
Treasury Management SLA	7	SLA review with another Local Authority
Banking Arrangements	7	Co-Operative bank risks
Harbour Commission Financing	10	Financial and risk management support provided

Risk Assessed Audit Plan - Audits deleted due to new emerging risks being of greater importance

Audit Area	Days	Comment
Environmental Health - Commercial	15	Replaced by HR audit. Agreed with HoS Public Health & Community Safety as low risk area and could slip to 2014/15
Highways & Traffic Management	15	Replaced by TM and Bank risks. Agreed with HoS Property Services. The work that NFDC may have completed for HCC has not been undertaken. This may change during 2014/15. HoS has reported little/no areas to review

Risk Assessed Audit Plan - audits expected to be started during 2013/14 but completed during 2014/15

Audit Area	Days	Comment
Parking & Enforcement	15	Agreed timing with HoS Environment Services. Income reconciliation will be completed under Main Accounting audit however
Domestic Refuse - Waste and Recycling inc special collections and garden waste	15	Agreed timing with HoS Environment Services and to reduce the audit coverage of this review. But request made to include a review within 2014/15 audit plan to review Phase 2 of Grant income during May
Community Safety & CCTV (Inc Anti Social Behaviour)	10	Agreed timing with HoS Public Health & Community Safety

Audit Work	Comment
Advice and Liaison	
Ernst & Young (External Audit)	Ongoing liaison throughout the year
Authorised Signatories	Ongoing - providing advice for managers
Contracts Advice	Ongoing - providing advice for managers - this role was increased until 6th December 2013. The work has now been reallocated to the Central Purchasing Audit.
Waivers	Ongoing - providing advice for managers and EMT. Report for 2012/13 presented to Audit Committee in September 2013
Financial Regulations	Ongoing - providing advice for managers.
Projects/Policy Review	
Financial Regulations	Work in progress - recommendation in AGS. Regulations redrafted and ready for consultation.
Corporate Projects (inc Housing and Reactive Works)	Part of Housing review team. To commence project for purchase of contractor system
Fraud/ Investigation Related	
Investigations	Internal Audit will investigate all reported cases - no serious cases to report at this time
Banking - Irregularities and general H&L queries	Nothing to report to Committee as a significant concern at this time.
Fraud Training	New training module in place. Being rolled out with assistance from ICT as an e-learning process
Policy review	Due in January 2014 - new legislation may result in minor amendments. The conclusion of the review will be reported to Audit Committee in March 2014.
NFI overview	Further files requested for NFI matching.
Incident Reporting	New e-form template in place and working - completed
3 Party Contracts	
Town Council - Audit 1	Completed
Town Council - Audit 2	Completed
Dorset partners	Ongoing throughout the year
Other	
Contingencies	Ongoing
Audit Management (inc Performance Management, Planning, Supervision/signing off of audits, Meeting and Committee attendance, annual reporting, liaison with external audit etc) and Team training and development, office routine, meetings and Contingency	Ongoing