

**AUDIT COMMITTEE – 21 MARCH 2014****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 PROGRESS**

- 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 (5 March 2014).
- 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 under supervisory review. The Auditor will be discussing and agreeing with services which officers will be responsible for the relevant actions and to what deadlines. The Internal Audit Manager will update Committee members with the latest results on the day.
- 2.4 Two audits completed since the last update have resulted in limited assurance, Income and Accounts Payable. All recommendations have been agreed by management. There were no high priority recommendations within the Income audit, but there were numerous medium recommendations across most audit objectives. Many leading back to process ownership, these issues are being addressed. The Accounts Payable audit contained two high priority recommendations, but neither control weakness can be addressed by the Accounts Payable team. The processing of invoices is very accurate. The key recommendation relates to IT system control weaknesses, which the Agresso team are working to resolve.
- 2.5 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.

**RESOURCING**

- 2.6 The vacant Auditor post (as of 6.12.13) has been advertised. Interviews will have been held by the date of the Committee. The loss of auditor days from this vacancy together with the additional procurement time provided earlier in the year, has had an impact on the audit plan. The impact has been reduced by the sharing a specialist IT auditor across the wider audit partnership. The audit plan has been reassessed with the lowest risk audits delayed until 2014/15 and new audits added that posed a higher risk. This assessment was originally reported to Audit Committee in January 2014 and is shown again in Appendix 1. The Internal Audit Manager is satisfied that the audit coverage for the year will be sufficient to provide a year-end opinion.

## **PROGRESS ON HIGH PRIORITY RECOMMENDATION**

- 2.7 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. As at 1 March, the following recommendation remain overdue;
- Payment Card Industry Data Security Standards (PCI DSS)  
The Council is not currently compliant with the external accreditation process. Work has been ongoing but it has not yet been completed. A further self assessment is required and the appointment of a Qualified Assessor.
  - Progress made against Business Continuity recommendations have been partially reviewed within the scope of the IT audit due to the link with Disaster Recovery planning. Further work needs to be undertaken to ensure all critical activities have robust plans in place and that a post is allocated the responsibility to ensure these plans are maintained. This area will continue to be monitored.
- 2.8 The following high priority recommendations are signed off as complete or partially completed and no longer deemed to be a high risk.
- Experian – removed  
The credit reference contract has been subject to competition and a new contract is now in place. The recommendation has been removed from further review.
  - Accounts Receivable - removed  
The Accounts Receivable system has now partially been upgraded. Audit will continue to monitor progress but has now been removed from the high risk category.

## **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 2013/14  
Audit Committee – March 2013

Audit Area	Days	Status	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	
Council Tax	20	Completed	Reasonable	0	11	1	4	
Land Charges	15	Completed	Reasonable	1	3	0	0	
Accounts Receivable	15	Completed	Reasonable	1	6	5	1	
Housing Needs/ Homelessness / Housing Register/B&B	15	Completed	Reasonable	1	12	6	2	
Engineering Works	15	Completed	Reasonable	1	15	3	3	
Procurement/Contract Management	30	Completed	Reasonable	2	3	0	2	
Trees (Council owned)	10	Completed	Reasonable	2	10	6	0	
Landlord services (rents)	15	Completed	Reasonable	2	12	0	1	
Income	15	Completed	Limited	0	20	5	1	
Accounts Payable	15	Completed	Limited	2	13	9	1	
Central Purchasing/Stores	15	Completed	Limited	5	8	3	3	
NEW Human Resources - see table over the page	15	Draft						Linked to Payroll audit
Payroll (inc NFNPA testing) and Member Allowances and Expenses	30	Draft						Results of Member Allowance included currently at Supervisor review
Elections	10	WIP						
NNDR	20	Draft						Under supervisor review
Benefits & Fraud Investigation	15	Draft						Under supervisor review
Information Governance	15	WIP						
Main Accounting System inc bank reconciliation	20	WIP						
Safeguarding	2	WIP						
IT Audit	15	WIP						
ICT Maintenance	15	WIP						
Treasury Management	5	WIP						
Sports, Play Development & Other Community Grants	15	WIP						
Asset & Estate Management Valuers & Hythe Market	10	WIP						
Section 106 follow up	10							Planned end of March CIL in 14/15
Parking	15							to be completed in April 2014
Building Works - Reactive	15	On hold						This is linked to a project which is ongoing into 2014/15.

## **Audit Plan Timetable and Outcomes 2013/14**

During Quarter one, both Town Council audits were also 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.

### **Approved amendments to the audit plan**

#### **Added**

Human Resources  
Treasury Management SLA  
Banking Arrangements

#### **Removed**

Environmental Health - Commercial (in 2014/15)  
Domestic Refuse - Waste and Recycling inc special collections and garden waste (in 2014/15)  
Highways & Traffic Management (in procurement audit 14/15)  
Community Safety and CCTV re assessed now to be included within new inhouse service including Out of Hours and Lifelines  
Partnership and Economic Development (in 14/15)

Audit Work	Comment
<b>Advice and Liaison</b>	
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.
<b>Projects/Policy Review</b>	
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. Project for purchase of contractor system
<b>Fraud/ Investigation Related</b>	
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
<b>3 Party Contracts</b>	
Town Council - Audit 1	Completed
Town Council - Audit 2	Completed
NFNPA	In progress - seperately reported
Dorset partners	Ongoing throughout the year
<b>Other</b>	
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