

PROGRESS AGAINST THE 2014/15 AUDIT PLAN

1. INTRODUCTION

- 1.1 The purpose of this report is to inform members of the Audit Committee of progress made against the 2014/15 audit plan, which was approved in March 2014.

2. INTERNAL AUDIT PLAN 2014/15 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 (3rd September 2014).
- 2.2 Where audits have been completed, the assurance level and number of agreed recommendations made have been shown.
- 2.3 Five NFDC audits have been fully completed with a further audit at draft stage. Both Town Councils have been completed within deadlines and work on the benefit subsidy testing is also substantially completed. Further details have been provided on the third party work for additional information.
- 2.4 There are no requests to amend the audit plan following the latest risk assessment and no significant frauds that need to be brought to your attention at this time.
- 2.5 The National Fraud Initiative (NFI) process has commenced with data timetable to be provided by 6th October. The majority of data matches will be known in 2015. Progress in reviewing these matches will be separately reported to Committee.
- 2.6 The Internal Audit Manager has liaised with Audit Managers across Dorset and Hampshire following the provision for a (non benefit) fraud grant funding being made available by the Government. It is planned that NFDC will join other Hampshire Councils in a partnership bid. The outcome will be provided at the next Audit Committee. This follows the transfer of the Benefit Investigation team to the Department of Work in Pensions (DWP) for to the Single Fraud Service.
- 2.7 The service has also been working with Accountancy and the New Forest National Park on the bank migrations to Lloyds from the Co-Operative Bank. The project remains on target to be live by November 2014.
- 2.8 From the 1st September 2014, one member of the team has reduced their hours from 37 to 18.5 hours per week. This reduction was known prior to the plan approval in March and is therefore adequately resourced at this time.

PARKING

- 2.9 At the last audit committee meeting, the committee asked when the parking audit would be completed. The anticipated deadline of 31st July was not met as information was still required to complete the audit and to provide an opinion. The audit report has since been finalised with a copy provided to the Chair of the Committee and a further member as requested.
- 2.10 The audit has concluded a limited level of assurance. Weaknesses have been identified in several areas including stock management of clocks and income differences not being correctly reported to management. Further information was also required by audit to enable a conclusion to be made on the accuracy of the draft Section 55 account. This information has now been received by Internal Audit and an amendment has been made to the draft Section 55 account.

- 2.11 Internal Audit has met with the new Head of Service who is managing this area. All recommendations have been agreed. Internal audit will monitor progress made against these recommendations with any outstanding high priority recommendations being reported back to EMT and Audit Committee.

PROGRESS ON HIGH PRIORITY RECOMMENDATION

- 2.12 Internal Audit monitors progress made against agreed audit recommendations. Where high priority recommendations are overdue they are reported to EMT and Audit Committee. As at 31st August 2014, the following recommendations remain overdue;
- **Payment Card Industry Data Security Standards (PCI DSS)**
The Council is not currently compliant with the external accreditation process. Internal Audit has however undertaken a further full review of all PCI questionnaires with the ICT Security team. Significant progress has been made since the last full review with only a small number of technical queries that remain outstanding. These technical queries will be followed up with our new bankers prior to the card merchant accounts being migrated to Lloyds Bank.
 - Progress made against Business Continuity recommendations were 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.
 - There remains a small number of officers who are able to self approve on the Accounts Payable system. A fix has been found by the technical team and it is awaiting further testing following a significant software upgrade.
 - The three recommendations in relation to Asset Management have also progressed. A new case management system has been sourced and is currently in test. This system will facilitate the reconciliation of rents due to the Council to the core financial systems.
 - A payroll recommendation has just become overdue, this relates to the need to update the employee handbook/process in relation to sickness payments. The Council has just appointed a new Payroll Manager and this will be followed up shortly.
 - Creditor/Payroll – a contractor has been used for a significant period which may breach self employment rules, if not addressed in future. The service has been considering alternative options through a procurement process, but the final decision it yet to be made.

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 notes the content of the report.

For Further Information Please Contact:

Lucinda Upton
Internal Audit Manager
Tel: (023) 8028 5588
E-mail: lucinda.upton@nfdc.gov.uk

Background Papers:

Internal Audit Plan 2014/15
Audit Committee – March 2014

Tourism - Community and Environment	10		WIP								
Environmental Health - Environment Protection	15		on hold								Hants Wide audit may provide third party assurance
Keyhaven River, Moorings and Dinghy Park	15		WIP								
Health and Leisure Centres	20		WIP								
Safeguarding	5										
IT Audit (Security/Maintenance, Purchases etc)	25										
Information Governance (inc DPA/FOI/Data Quality/Performance etc)	15										
Procurement/Contract Management	30				WIP						
Building Works - Reactive	15										
Housing Development Inc Affordable Housing & Private Sector Leasing & Empty Properties	15										
Risk Management/Insurance/Health and Safety	15										
Electoral Services (to complete from 13/14)	10										

Work with Third Parties

x 2 Town Councils	11	Completed			
Benefit Subsidy (of NFDC)	45	awaiting external review			
NFPNPA IT				Draft	
NFNPA Business Continuity and Emergency Planning etc		Completed			
NFNPA Accounts Payable					
NFNPA Grants					
NFNPA Main Accounting					
NFNPA Information Governance					
Dorset sites - management and IT auditor		Each Quarter			

Assurance Level	Assurance Description
Substantial Assurance	There is a strong system of control designed to achieve the system objectives with controls being consistently applied.
Reasonable Assurance	Whilst there is a basically sound system in place, weaknesses were identified which may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put system objectives at risk.
No Assurance	Control is generally weak leaving the system open to significant error or abuse.