

## Audit & Governance Committee 5<sup>th</sup> April 2016



### INTERNAL AUDIT PLAN 2015/16 PROGRESS REPORT 1<sup>ST</sup> APRIL 2015 TO 29<sup>TH</sup> FEBRUARY 2016

Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

#### 1. Purpose of Report

1.1 This report is to update Committee members about the progress made on the 2015/16 Internal Audit Plan.

#### 2. Recommendations

2.1 Members are recommended to note the contents of the report and the attached Appendix.

#### 3. INTERNAL AUDIT PLAN 2015/16

3.1 The attached Appendix shows the actual time spent on audits from 1<sup>st</sup> April 2015 – 29<sup>th</sup> February 2016, with a brief summary of issues found.

3.2 The current position for 2015/16 as at 29<sup>th</sup> February 2016 is as follows:

Status of Audits	Number of Audits	Percentage of Plan
Final report issued	10	67%
Draft report issued	1	7%
In progress	4	26%
<b>Total</b>	<b>15</b>	<b>100%</b>

#### Breakdown of Current Position as at 29<sup>th</sup> February 2016

2014/15 Audits	Audit Opinion	Current Status
Follow up Recommendations	Not applicable	Completed – no report issued
CT/ NDR	Good	Final report issued
Housing Benefits	Significant	Final report issued
Payroll	Significant	Final report issued

<b>2015/16 Audits</b>	<b>Audit Opinion</b>	<b>Current Status</b>
Transparency	Partial	Final report issued
BVS Service Charge	Not applicable	Final report issued
Building Control	Partial	Final report issued
Bereavement Services	Partial	Final report issued
IT – PCI DSS	Good	Final report issued
IT – Physical Security	Partial	Final report issued
Grants (Community Grants & Localism reserve funded by New Homes Bonus)	Significant	Final report issued
Online Payments	Good	Draft report issued
Treasury Management	Yet to be determined	Work in progress
Fraud Code of Practice	Yet to be determined	Work in progress
Creditors	Yet to be determined	Work in progress
Fraud – refunds	Yet to be determined	Work in progress
CDC Management	Not applicable	Not applicable
Contingency	Not applicable	Not applicable

3.3 The following table shows the progress against the operational plan for the period 1<sup>st</sup> April 2015 to 29<sup>th</sup> February 2016.

<b>Audit Area</b>	<b>Total Days per Audit Plan 2015/16</b>	<b>Days spent as at 29<sup>th</sup> February 2016</b>	<b>% completed at 29<sup>th</sup> February 2016</b>
Follow up Audits/ brought forward audits	20	17	85%
Transparency	10	10	100%
BVS Service Charge	10	11	110%
On-line Payments	20	20	100%
Fraud Code of Practice	15	7	47%
Treasury Management	10	6	60%
Building Control	20	21	105%
Bereavement Services	20	20	100%
Creditors	20	4	20%
Fraud	10	7	70%
IT	20	20	100%
Grants (Community Grants & Localism Reserve funded by New Homes Bonus)	15	18	120%
CDC Management including Committee Papers/Attendance @ meetings	25	22	88%
Contingency	25	0	0%
<b>TOTAL</b>	<b>240</b>	<b>183</b>	<b>76%</b>

3.4 The expectation is that those audits currently in progress will have been completed and a draft report issued by 31<sup>st</sup> March 2016.

#### **4. Implications**

##### **4.1 Financial and Value for Money Implications**

None

##### **4.2 Legal implications**

Audit planning needs to comply with the requirements of the Public Sector Internal Audit Standards and the accompanying Application Note for Local Authorities produced by the Chartered Institute of Public Finance and Accountancy. These Standards and Note set out the proper Internal Audit practices which authorities must now follow to comply with the Accounts and Audit (England) regulations 2011.

##### **4.3 Contribution to Council Priorities**

The delivery of an Internal Audit Service contributes to Council transformation.

##### **4.4 Risk Management**

The Internal Audit function is an integral part of internal control.

##### **4.5 Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

#### **5. Consultations with Others**

5.1 Strategic Manager Financial Services (S151 Officer).

#### **6. Access to Information : Background Documents**

6.1 None

**7. Author of the Report**

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**Note:** Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

**8. Appendices**

Appendix A - Internal Audit Plan 2015/16 Monitoring April 2015 – February 2016.

**APPENDIX A**

**INTERNAL AUDIT 2015/16  
PROGRESS MADE BETWEEN 1<sup>ST</sup> APRIL 2015 & 29<sup>TH</sup> FEBRUARY 2016**

<b>Audits (includes audits brought forward 2014/15 and 2015/16 audits)</b>	<b>Approved Plan (Days)</b>	<b>Actual April-February (Days)</b>	<b>Comments (at time of writing)</b>
Payroll (b/fwd from 2014/15)	3	2	<p>Tested all key controls to ensure they were operating as expected. No issues found. Controls in place ensure that the pay run is accurate and checked by senior officers before payment occurs.</p> <p>Comprehensive reconciliations are completed before each pay run and deductions are accurately applied to employee records.</p> <p>Improvements have been made on the accuracy of input into the payroll system and adequate segregation of duty is in place.</p> <p>Used IDEA Software to perform quality checks on system data to provide assurance that data quality and information is in the correct format and to identify potential duplicate records or unusual trends of Payroll data.</p> <p>No recommendations were made.</p>
Benefits (b/fwd from 2014/15)	8	7	<p>Tested all key controls to ensure they were operating as expected. No issues found.</p> <p>Used IDEA Software to:</p> <ul style="list-style-type: none"> <li>• interrogate system data to provide assurance that data quality and information was in the correct format</li> <li>• Identify potential duplicates and unusual trends of Housing and Council Tax Benefit data.</li> </ul> <p>One Priority 2 recommendation made to update the Overpayments policy.</p>

Audits (includes audits brought forward 2014/15 and 2015/16 audits)	Approved Plan (Days)	Actual April-February (Days)	Comments (at time of writing)
Council Tax & Non-Domestic Rates (b/fwd from 2014/15)	2	4	Tested all key controls. 5 Priority 2 recommendations made: <ul style="list-style-type: none"> <li>• Incomplete procedure notes</li> <li>• Property inspections not always timely</li> <li>• No review of holiday lets in receipt of Small Business rate relief</li> <li>• Staff were able to access their own accounts</li> <li>• No testing of the Business Continuity Plan had occurred.</li> </ul>
6 month reviews of outstanding audit recommendations	7	4	All followed up and reported to A&G during the year
Transparency	10	10	7 recommendations made: 1 x Priority 1 (Information Management Strategy needed) 3 x Priority 2 (certain data needed to be published; links were required to this data on the website; Open Data Webpage required updating. 3 x priority 3 (link web page to YORtender web page; summarise transactions rather than show detail on the webpage; review of Publication Scheme documentation).
BVS Service Charge	10	11	Minor issues noted with regards to charges made to CDC.
Online Payments	20	20	2015/16 Ongoing audit.
Fraud Code of Practice	15	7	2015/16 Ongoing audit
Treasury Management	10	6	2015/16 Ongoing audit
Creditors	20	4	2015/16 Ongoing audit

Audits (includes audits brought forward 2014/15 and 2015/16 audits)	Approved Plan (Days)	Actual April-February (Days)	Comments (at time of writing)
Fraud - refunds	10	7	2015/16 Ongoing audit
Building Control	20	21	<p>10 recommendations made</p> <p>5 x Priority 1 (unsecure personal data; system fault shows duplicate payments made when this is not the case; segregation of duty issue; lack of authorisation; write offs not authorised correctly)</p> <p>5 x Priority 2 (Fee information incomplete on website; policy &amp; procedure manual needed updating; lack of evidence re exemptions; decisions not sample checked by management; no standard approach when referring to legal).</p>
Bereavement Services	20	20	<p>12 recommendations made</p> <p>3 x Priority 1 (gaps in controls for raising credit notes; lack of segregation of duty; access levels on BACAS system incorrectly set)</p> <p>5 x priority 2 (Fire safety measures require improvement; lack of provision for replacement of cremators; lack of reconciliation for credit notes; sensitive information storage issues; Information management issues).</p> <p>4 x Priority 3 (Forwarding Planning re site requirements; business continuity plan to be reviewed; improvements on authorisation by medical referees).</p>
Grants (Community Grant & Localism Reserve funded by New Homes Bonus)	15	18	<p>1 x priority 2 recommendation made:</p> <p>Controls needed to ensure grant funding is still required by recipient.</p>
CDC Management including Committee Papers/attendance @ meetings	25	22	Ongoing.

Audits (includes audits brought forward 2014/15 and 2015/16 audits)	Approved Plan (Days)	Actual April-February (Days)	Comments (at time of writing)
IT – Physical Security	10	11	<p>16 recommendations made:</p> <p>6 x priority 1 (security arrangements require action; security of personal data; review visitor arrangements)</p> <p>10 x priority 2 (signing in records not enforced; lack of key holders; maintenance of IT inventory; monitoring of IT equipment for leavers; Management checks not undertaken; procurement of an e-learning solution should be undertaken; accessibility of documentation; missing acceptance user policy agreements).</p>
IT – PCI DSS	10	9	<p>9 recommendations made:</p> <p>1 x priority 1 (access restrictions required)</p> <p>8 x priority 2 (review PC positioning at several sites; review need for card reader at the Crem; destruction of merchant receipts required; full 16 digits not to be shown; maintain record all visitors)</p>
Contingency	25	0	
<b>TOTAL</b>	<b>240</b>	<b>183</b>	



**\* Key – Levels of Assurance**

<b>Level</b>	<b>Definition</b>
Significant	The system of internal control is designed to support the Councils corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the area reviewed.
None	There are weaknesses in control, or inconsistent non-compliance which places corporate and service objectives at risk in the area reviewed.

**Priorities**

<b>Priority</b>	<b>Definition</b>
1	These relate to significant gaps in the Internal Control Framework
2	These relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls
3	These relate to minor issues of non-compliance with controls