

**To:** Audit & Governance Committee

**Date:** 24<sup>th</sup> April 2014

**Item No:**

**Report of:** Head of Finance

**Title of Report:** Progress on Implementation of Audit Recommendations

## **Summary and Recommendations**

**Purpose of report:** To report progress on the implementation of internal and external audit recommendations.

**Policy Framework:**

**Report Approved by:**

**Finance:** Jacqueline Yates – Executive Director, Organisational Development and Corporate Services

**Legal:** Jeremy Thomas – Head of Law and Governance

**Recommendation(s):**

The Audit and Governance Committee is asked to note progress with the recommendations listed in Appendix A.

Appendix A – Internal and External Audit recommendation tracker

## **Background**

1. The outcomes of all internal and external audit reports are reported to this Committee. Each report includes recommendations or agreed actions, a summary of those which remain outstanding together with updated management responses are provided in Appendix A.
2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on their percentage complete. Up to 25% complete are marked red, between 25% and 75% complete are amber and over 75% complete are green. However, if there are any recommendations that are less than 50% complete but have not yet

exceeded their expected completion date these are also marked as green or amber if they are within one month of their completion date.

3. Any recommendations that were noted as 100% complete at the last meeting have been removed from the tracker.

#### **External Audit Recommendation**

4. There are no high risk recommendations on the external audit tracker that are not 100% complete and therefore no outstanding recommendations which would give cause for concern.
5. At the last Audit and Governance Committee Ernst and Young presented an audit report following their Grant claim work. There were seven recommendations that arose out of this report. These are all included within the audit tracker, with five of the recommendation already complete and the remaining three in progress and expected to be completed by end of May 2014.
6. There are no external audit recommendations that have exceeded their completion date.

#### **Internal Audit recommendations**

7. There has been four new internal audit reports finalised since the last meeting:
  - **Town Hall income review – Medium risk rating** – One medium and Five low risk recommendations were raised during the audit. These related to processes and procedures not being robust or in written form, and also relating to reconciliations between Artifax and Agresso. All recommendations are noted on the tracker.
  - **Collection Fund - Low risk rating** – One low risk recommendation in relation to reconciliation of Academy to Paris.
  - **Community Development, Community Centres and Associations - Low risk rating** – Two low risks and one medium risk in relation to the lack of signed lease agreements for the community centres.
  - **Grant Payments - an advisory report with no overall risk rating** - Six advisory recommendations were made relating to the processes followed when approving and paying grant payments.
  - **Creditors – Low risk rating** – Performance in this area has improved from the last review performed. Three low risk recommendations were raised during this audit, these related to operational processes not being fully in place, such as date stamping and initialling approvals.
  - **Debtors – Low risk rating** – Performance in this area has improved from the last review performed. Five low risk recommendations were raised during this audit, these also related to operational process not being fully in place, such as updating authorised signatories and ensuring invoices are raised timely.

8. There are 31 recommendation on the internal audit tracker that are not 100% complete as follows:
- a. Health & Safety - updating of information within Uniform – All information is now up to date on Uniform and further work is being done to report and communicate the repairs data so that it can be update into Uniform in a timely manner;
  - b. Business Continuity Planning (BCP) – work is ongoing and all Heads of Service are updating and reviewing their BCP's, with a revised deadline of end of May for completion;
  - c. Asset Management – recommendations made relating to the Asset Management Plan are ongoing and are approx. 50% complete, these will be fully implemented on the next version of the plan scheduled to be approved by CEB in Oct 2014;
  - d. Cash and Card Payments – work is being undertaken to move towards the reduction of the use of cash;
  - e. Community Centres and Associations – Ensuring lease agreements are signed and the review of the process for repairs are recommendations that are in progress but not yet finalised;
  - f. Creditor and Debtors – all recommendations made during this recent audit are being implemented by end of April 2014;
  - g. Grants – Training to be provided to successful applicants will be in place by the end of June 2014;
  - h. Town Hall Income – the cash handling procedures are being reviewed and will be issued to all departments.
9. The recommendation relating to Housing Benefit quality checks is a follow up from prior years, and has now been replaced by IA 532 as a follow up in this years audit. At least 10% of work processed is being checked daily. The target is now consistently being met and is expected to continue in this way.
10. There are sixteen internal audit recommendations that are being reported as 100% complete and will be removed from the next report.
11. As previously reported there has been an overall improvement in the outcome of our internal audit reviews over the last two years, with the number of low risk audits increasing significantly, this is an encouraging direction of travel. The table below details the percentage of reports and their risk ratings.

Risk Rating	13/14		12/13		11/12		10/11	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	1	9%	1	10%	1	7%	2	15%
Medium	1	9%	3	30%	9	60%	8	62%
Low	9	82%	6	60%	5	33%	3	23%
	<b>11</b>		<b>10</b>		<b>15</b>		<b>13</b>	

12. Alongside the reduction in risk rating the number of recommendations has also reduced and any recommendations made are now being dealt with in a much timelier manner. The use of the audit tracker and reporting to the Audit & Governance Committee has increased the focus placed on recommendations and ensured they are dealt with more swiftly.

**Financial Implications**

13. Whilst this report is primarily for noting there is the potential that financial implications could arise for the Council if recommendations are not implemented and the internal audit of processes and procedures highlight areas of risk.

**Legal Implications**

14. There are no legal implications arising from the recommendations in this report.

**Equalities Impact**

15. There are no Equalities implications arising from the recommendations in this report.

**Climate change/environmental impact**

16. There are no Climate Change implications arising from the recommendations in this report.

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**Background papers:** None