

**To:** Audit & Governance Committee

**Date:** 26<sup>th</sup> February 2015

**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.

**Key decision:** No

**Executive Lead Member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan – Efficient, Effective Council

**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 recommendations which remain outstanding together with updated management responses is provided in Appendix A.
2. Each recommendation is marked with a % complete which correlates to a red/amber/green rating depending on the percentage of completeness. Up to 25% complete is marked red, between 25% and 75% complete is amber and over 75% complete is green. However, any recommendations that are less than 50% complete but have not yet exceeded their original expected completion date are also marked red. Those recommendations that will be completed up to one month later than their original expected completion date are also marked as amber.

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

#### **External Audit Recommendations**

4. The Audit of the Housing Benefit subsidy claim for the period ending 31<sup>st</sup> March 2014 has been completed by Ernst and Young and a qualification letter has been issued for this grant, highlighting a number of areas where the Council has not fully complied with the relevant grant conditions. The Annual certification report can be found on the Agenda and the recommendations made have been added to the tracker.

#### **Internal Audit recommendations**

5. There have been two new Internal Audit reports finalised since the last meeting of the Audit and Governance Committee:
  - a. **Housing Benefit – Low risk rating** – One medium and two low risk recommendations. The medium risk recommendation relates to an increase in the level of overpayments and the potential for loss of housing benefit subsidy due to local authority errors. The low risk recommendations relate to increases in processing times for ‘change of circumstances’ found at the time of the audit and lack of recording the results of quality checks.
  - b. **Financial Systems – Low risk rating**
    - **Payroll** – One medium and two low risk recommendations. The medium risk recommendation relates to incorrect overtime being processed and the low risk recommendations relate to authorising of overtime and evidencing payroll checks.
    - **General Ledger** – One Medium and three low risk recommendations. The medium risk recommendation relates to the lack of review of reconciliations that had been undertaken and the low risk recommendations relate to approval of journals, clearing of cash suspense and approval of system access.
    - **Fixed Assets** – Three Low risk recommendations, relating to timeliness of reconciliations, and some data in the asset register being incorrect.
6. There are four recommendations on the Internal Audit tracker that are not 100% complete the status of these is as follows :
  - a. **Cash and Card Payments** – Cash is no longer in use at St Aldates Chambers. Those services still taking cash are seeing reduced volumes and use of card payments is being promoted and encouraged by staff;
  - b. **Community Centres and Associations** –
    - i. 18 of the 19 Community centres have an agreement in place

- ii. The review of the process for repairs and maintenance is in progress but not yet finalised;
  - c. **Fraud Risk Assessment –**
    - i. The implementation of a new case management system and data warehouse is currently being planned. This will facilitate the matching of data from multiple ICT systems.
7. There are ten Internal Audit recommendations that are being reported as 100% complete and will be removed from the next report.
8. 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	14/15		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	No of reports	% of reports
High	0	0%	1	8%	1	10%	1	7%	2	15%
Medium	1	25%	0	0%	3	30%	9	60%	8	62%
Low	3	75%	12	92%	6	60%	5	33%	3	23%
	4		13		10		15		13	

9. 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**

10. 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 audit have highlighted areas of risk or areas for improvement.

### **Legal Implications**

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

### **Equalities Impact**

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

### **Climate change/environmental impact**

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

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**Background papers:** None