

To: Audit & Governance Committee
Date: 28 November 2011
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.

Report Approved by: Jackie Yates

Policy Framework: Financial stability

Recommendation(s):

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

Appendix A – Internal and External Audit recommendation tracker

Summary

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.

Recommendation tracking

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

External Audit Recommendations

- 4 There are 13 recommendations that are showing as red on the external audit recommendation tracker, these are all medium risk items. There are 12 risks that relate to the recommendations made by Audit Commission following the audit of the 2010/11 accounts, and all but one of these recommendations will be picked up in the 2011/12 closure of accounts and therefore the due date is 30th June 2012. The Finance team are currently in the process of planning to ensure that these recommendations are completed and we have already held a number of post accounts 'wash up' meetings both internally and with the Audit Commission aimed at learning from and improving the closedown process. It is intended that these recommendations will be completed by the end of March in time for the commencement of the 2011/12 closedown process.
- 5 There are 3 external audit recommendations relating to Corporate Assets that are being reported as 100% complete and will be removed from the next report; together with 1 recommendation in this area where there are no plans to implement, this recommendation is in relation to setting up a profit centre approach for allocating expenditure, however all costs of management of corporate properties are allocated against the overall income from the investment portfolio at service level, therefore this recommendation will not be implemented. We will discuss this with the auditors to ensure that they can gain assurance from this approach, this is the remaining red risk.

Of the recommendations that are not yet complete there are 4 that are more than 3 months passed their review date, however work is progressing on these and they are all more than 50% complete. We are currently reviewing forecast completion dates for these, they will appear in the next report.

Internal Audit recommendations

- 6 There have been two internal audit reports finalised since the last meeting and these recommendations have been added to the tracker, these are:
 - **Cash Collection – Medium Risk Rating** – Whilst there were only two low risks and one medium risk on the current audit, there are two medium risks and one low risk from the previous years audit that have yet to be implemented and therefore overall the risk rating is medium
 - **Treasury Management – Low Risk Rating**. This is the highest possible score that can be given to an audit and is indicative of sound processes and procedures operating within this area, to the credit of the Financial Accounting Team. There were only four recommendations from this audit, three low and one medium all of which have since been implemented.
- 7 There is one red recommendation on the internal audit recommendation tracker, and this is from the recently completed Cash Collection audit and is in relation to guidance notes being issued in relation to daily cash

procedures, these are expected to be completed and distributed by the end of January 2012.

- 8 There are 31 internal audit recommendations that are being reported as 100% complete and will be removed from the next report. A number of these recommendations that have been completed relate to work in the area of debt collection. Following the implementation of the facility to collect debts by direct debit, a review of debt collection procedures and the issue of guidance notes to staff these recommendations can be deleted from the tracker as having been finalised.
- 9 The Finance Team are implementing a number of workstreams recommended by the Corporate Services Modernisation Board which will see the resolution and completion of the four outstanding audit recommendations that are allocated to Finance, the work includes:
 - a health check on the Agresso Financial Management, which will review reports and processes
 - Implementation of the Purchase to Pay Module for the on-line ordering of goods and services and electronic payment
 - A review of the accounting coding system
- 10 There are four recommendations that are not allocated to finance that are not yet complete and these are all more than 3 months past their original review date, work is progressing on these recommendations and only one is currently showing red as percentage complete. We will be reviewing the forecast completion date for the next report for all of those recommendations that are passed their initial review date.

Financial Implications

- 11 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

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

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Background papers: None

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