

To: Audit & Governance Committee

Date: 28th Feb 2012

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:

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

External Audit Recommendations There are no red recommendations on the external audit recommendation tracker and therefore no outstanding recommendations which would give cause for concern.

- 4 There are six external audit recommendations, four of which are being reported as 100% complete and will be removed from the next report. There is one recommendation relating to PC and Laptop assets being recorded with their location which will be completed as part of the Windows 7 installation which is now in progress, and due to be completed by end of May 2013, the revised completion date has been amended to reflect this change.

Those recommendations now marked as 100% complete were implemented following the 2011/12 final accounts work audited by the Audit Commission. Finance staff are making good progress towards the preparation for this year's closedown process and have now implemented all previous years recommendations.

- 5 There are no external audit recommendations that have exceeded their completion date.

Internal Audit recommendations

- 6 There has been one new internal audit report finalised since the last meeting, covering the key financial systems. This report covers the four main financial systems: General Ledger; Debtors; Creditors and Payroll and is reported elsewhere on the agenda. Recommendations were made for each system and these have been added to the tracker :

- Creditors – Medium risk rating – Performance in this area has improved since the last review. Three low risk, and two medium risk rated recommendations have been raised in this audit. All of these recommendations related to the operating effectiveness of the system, and all have been resolved by reiterating processes and procedures to staff involved. The implementation of Purchase to Pay will also bring in further operating controls.
- Debtors – Medium risk rating - Performance in this area has reduced since the last review performed. There were two medium and one low risk recommendation raised in this audit. Weaknesses were identified around the timeliness and appropriate approval of raising invoices, and all departments have been reminded of the importance of both of these issues.
- General Ledger – Low risk rating - Performance in this area has improved since the last review performed. One medium and one low risk recommendation were raised in this audit, both of which relate to operating effectiveness: the approval of journals, and timely completion of reconciliations. Both have now been resolved.
- Payroll – Low risk rating - Performance in this area is comparable to the last review performed. There was only one medium risk recommendation raised in this audit relating to operating effectiveness

and the effectiveness of the leavers' procedures, which has now been resolved.

- 7 There are 8 recommendations on the internal audit recommendation tracker that are not 100% complete. None of these have breached their implementation date and progress is being made on each to ensure completion.
- 8 There are 11 internal audit recommendations that are being reported as 100% complete and these will be removed from the next report.
- 9 There are four recommendations that have had a revised implementation date, these are IA358; IA359 & IA355 relating to Insurance, this is due to ongoing discussions with our insurers to ensure the procedures and process are set out in the most effective way. IA382 relating to Garden waste, which is due to the requirement for an additional months data to analyse and resolve. Progress is being made on each of these recommendations and the new revised dates are expected to be met.
- 10 There has been an overall improvement in the outcome of our internal audit reviews over the last two years. The number of low risk audits has increased, whilst the number of high risk audits has reduced, this is an encouraging direction of travel. The table below details the percentage of reports and their risk ratings.

Risk Rating	12/13		11/12		10/11	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	1	11%	1	7%	2	15%
Medium	3	33%	9	60%	8	62%
Low	5	56%	5	33%	3	23%
	9		15		13	

- 11 Alongside the reduction in high risk rated audits 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 deal with more swiftly.

Financial Implications

- 12 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

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

Equalities Impact

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

Climate change/environmental Impact

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

Name and contact details of author:

Anna Winship

Financial Accounting Manager

Telephone: (01865) 252517

awinship@oxford.gov.uk

Background papers: None