

To: Audit & Governance Committee

Date: 16 December 2015

Item No:

Report of: Head of Financial Services

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 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. There are no external audit recommendations to report to Committee.

Internal Audit recommendations

5. There have been five new Internal Audit reports finalised by PWC since the last meeting of the Audit and Governance Committee, these are the final reports due from PWC following the handover of the Council's internal audit contract to BDO:

- a. **Procurement Report – Advisory Report** –a review of the procurement service specifically focusing on compliance with the process, barriers to the use of the service and training needs and awareness of the process and requirements. The review identified a number of areas of good practice and areas for additional focus over the coming months, all of which are being reviewed, including the completion of the revised Procurement Strategy.
- b. **Revenues team restructure – Advisory report** – a review of the effectiveness of the two new posts in the team, Court Recovery Officer and Appeals and Complaints Officer, to ensure they are providing value for money. The report highlights that there is a significant improvement in recovery of court income since the Recovery Officer has been in post. During a recent restructure of Financial Services the Court Recovery Officer post has been confirmed as a permanent post in the establishment. The Appeals and Complaints Officer provides good support for dealing with correspondence on behalf of the team. The position is still under review.
- c. **Collection Fund– Low risk rating** – One low risk recommendation was made which looked at the operating effectiveness of the debt recovery process and highlighted that there were delays in progressing the recovery to the next stage in some cases of outstanding debt. This has been added to the recommendation tracker at Appendix 1
- d. **Housing Rents – Low risk rating** – Six low risk recommendations were made during this review, one relating to control design and five relating to operating effectiveness. Findings included issues on refunds; review of accounts in arrears, review of reconciliations and system access controls. There is an implementation plan for the recommendations on this report that have not yet been completed and these are all listed on the recommendation tracker at Appendix 1
- e. **Housing Benefits – Low risk rating** – One medium and three low risk recommendations were made during this review all relating to operating effectiveness. The medium risk finding in this review relates to the level of arrears of Housing Benefit

overpayments and the recovery arrangements and write off procedures in place for these. The low risk findings relate to the level of quality checks undertaken; time taken to process new claims and review of reconciliations. Two of these recommendations have already been completed and the remaining two are expected to complete by their forecast completion dates. These are all listed on the recommendation tracker.

6. There is also one recommendation on Appendix 1 which has yet to be completed, but has passed its original forecast completion date. This is one of four recommendations made within the Housing Allocations review and is the only one outstanding. This recommendation relates to the number of incomplete housing applications is not easily available from the system and therefore applicants may miss out on opportunities. Information is now available from the system to aid with this and this is being used to improve the position. A wider review of the system is being considered to ensure that this is no longer an issue and a revised completion date of 31/3/2016 has been entered to capture this timeline.
7. There are 13 Internal Audit recommendations that are being reported as 100% complete and will be removed from the next report. There are 11 new recommendations that have been added to the tracker and will be reviewed for completeness ahead of the next meeting.
8. In 2015/16 there have been no high risk reports in the first 6 months of the year, and a larger proportion of reports are being reported as an overall low risk.

Risk Rating	15/16		14/15		13/14	
	No of reports	% of reports	No of reports	% of reports	No of reports	% of reports
High	0	0%	0	0%	1	8%
Medium	2	40%	6	46%	0	0%
Low	3	60%	7	54%	12	92%
	5		13		13	

Internal Audit contract going forward

9. The Council's internal audit contract passed from PWC to BDO on the 1st October 2015. BDO use a level of assurance for Design and Operational Effectiveness which spans from 'No' through to 'Substantial', this is explained in more detail in the BDO update report elsewhere on the agenda. Since October BDO have completed the following audits:
 - Accounts Receivable – Limited assurance on Design and Operational Effectiveness, with a total of 10 recommendations ;
 - Accounts Payable – Moderate assurance on Design and Limited assurance on Operational Effectiveness, with a total of 8 recommendations;

- Finance Systems (payroll, general ledger and fixed assets) – Moderate assurance on both Design and Operational Effectiveness, with a total of 8 recommendations;
- SIGMA System review – this was a review of the system design and did not receive an overall assurance level, however 14 recommendations were made;
- HCA Compliance claim

10. All of these reviews are summarised in the BDO update report and the full reports for Accounts Receivable and Accounts Payable can also be found elsewhere on the Agenda

11. As part of their continued work BDO will undertake a review of all outstanding recommendations each quarter and include these within their update reports to each Audit & Governance meeting.

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 audit have highlighted areas of risk or areas for improvement.

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.

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Background papers: None