

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Internal Audit Actions

Meeting/Date: Corporate Governance Committee – 24th March 2021

Executive Portfolio: Executive Member for Strategic Resources
Councillor Jonathan Gray

Report by: Auditor

Ward(s) affected: All Wards

Executive Summary:

There is a key performance indicator that requires 100% of audit actions to be implemented by the agreed date. However, 100% compliance has not been achieved.

Performance in the last 12 months* has seen 19 actions introduced, 29% on time, increasing to 54% when late implementation is taken into account.

(* actions that were due before the last 12 months are not be included in this measure).

Sometimes non-implementation is due to operational circumstances and to reflect this, a process is in place for re-assessing an audit's implementation date and extending it where reasonable. even after the introduction of this new process the 100% indicator is still not being achieved.

As at 15th March 2021, 19 overdue audit actions remained outstanding; 12 actions were within a year of the originally agreed implementation deadline but the remaining 7 were more than one-year-old. Relevant actions may have already had the deadline for implementation extended. Consequently, the Committee is asked to consider this and ask questions of management as they consider necessary.

Recommendation:

It is recommended that the Committee consider the report and comment as they consider necessary.

1. PURPOSE OF THE REPORT

- 1.1 To update members on the implementation of audit actions.

2. WHY IS THIS REPORT NECESSARY?

- 2.1 At past meetings of the Corporate Governance Committee (CGC), the committee has expressed concerns at the underachievement of the management-set target of implementing 100% of agreed internal audit actions on time. This report provides an update for members based on audit actions that are outstanding as at 15th March 2021.

3. BACKGROUND

- 3.1 Following each audit review, audit conclusions, associated actions and implementation dates are agreed between the audit client and the audit team. Services can disagree with any action and the audit report is a record of what has been agreed by way of actions and their target dates.

- 3.2 The target for the implementation of 'agreed internal audit actions to be introduced on time' is set at 100% in line with best practice that suggests that all recommendations are implemented by the agreed deadline. The deadline date is set/agreed with the client service and can be extended upon request where reasonable justification is provided (the measurement is taken against the new target date). Therefore, it is reasonable that all actions should be completed by their target date.

- 3.3 For the 12 months ending 15th March 2021, 35 audit actions were due to be implemented. The following shows the performance against due dates:

- 29% (10) were "implemented on time"; this increases to
- 54% (19) when late implementation is also included
- 16 actions have not been implemented.

4. NON-IMPLEMENTATION OF AUDIT ACTIONS

- 4.1 As mentioned, there are occasions due to operational circumstances that agreed implementation dates have to be extended; all such extensions are agreed between the audit client and the Internal Audit Manager. Such audit actions are then not considered as "not implemented" and are excluded from any exemption reporting unless the new target has also been missed (as the measurement is taken against the new variable target date).

- 4.2 However, circumstances sometimes prevail such that extended deadlines are missed and the current practice is that non-implementation at this stage is reported to management and CGC.

- 4.3 As at the 15th March 2021 19 audit actions remained outstanding (overdue) and not implemented. This includes all outstanding actions (not just those due in the last 12 months) to give a more accurate reflection. A detailed analysis of these actions is shown in the **Appendix**.

Of the 19 actions:

- 2 actions are 2 years or older (10.5%)
- 5 actions are between 1 and 2 years overdue (26%)
- 11 actions are between 6 months and 1 year overdue (58%)
- 1 action is less than 6 months overdue (5%)

** Time is measured from the 'original target implementation date' to the 15th March 2021.*

5. KEY IMPACTS

- 5.1 It is important that the Council maintains a sound internal control environment. Actions that the Internal Audit Service propose to address risk and control weaknesses are discussed with Heads of Service and, if appropriate, Directors and agreement is reached as to any corrective action that needs to be taken. Internal audit actions are not imposed on management or Services.
- 5.2 An action that is not implemented means that the weakness or risk originally identified in the audit report, and which the action was designed to address, will remain as a risk to the organisation.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Internal Audit Service provides independent, objective assurance to the Council by evaluating the effectiveness of risk management, control, and governance processes. It identifies areas for improvement across these three areas such that Managers can deliver the Corporate Plan objectives as efficiently, effectively and economically as possible.

7. RESOURCE IMPLICATIONS

- 7.1 There are no direct resource implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The report has been requested by the Committee and as such, they need to decide what further action they wish to take.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Outstanding Audit Actions Not Implemented as at 15th March 2021

BACKGROUND PAPERS

Audit actions contained within the 4Action system

CONTACT OFFICER

Deborah Moss – Acting Audit Manager

Tel No: 01480 388475

Email: deborah.moss@huntingdonshire.gov.uk