

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Internal Audit Actions

Meeting/Date: Corporate Governance Committee – 9th June 2021

Executive Portfolio: Executive Member for Strategic Finance -
Councillor Jonathan Gray

Report by: Deborah Moss, Internal Audit Manager

Ward(s) affected: All Wards

Executive Summary:

Key performance indicator: 100% of audit actions to be implemented by the agreed date. Not been achieved.

Performance in the last 12 months*:

34 actions introduced - 20% on time, increasing to 85% when including late implementation

6 actions not implemented – 15%

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

10 overdue audit actions remained outstanding (at 19/05/21).

All actions are receiving attention and are now being progressed.

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 19th May 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 19th May 2021, 34 audit actions were due to be implemented. The following shows the performance against due dates:

- 20% (8) were "implemented on time"; this increases to
- 85% (34) when late implementation is also included
- 6 actions (15%) have not been implemented.

4. NON-IMPLEMENTATION OF AUDIT ACTIONS

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

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 the performance reporting unless the new target has also been missed (measurement is taken against 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 19th May 2021 10 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 – providing original and variable deadlines - is shown in the **Appendix**.

Of the 10 actions:

- 1 action 2 years or older
- 4 actions are between 1 and 2 years overdue
- 4 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 19th May 2021.*

- 4.4 A significant effort has been made to encourage and support Services to implement their actions – both those actions outstanding for a while and those that have fallen due in recent months – in an effort to establish a culture whereby actions are taken seriously and implemented in a timely manner.

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 19th May 2021

BACKGROUND PAPERS

Audit actions contained within the 4Action system

CONTACT OFFICER

Deborah Moss – Internal Audit Manager

Tel No: 01480 388475

Email: deborah.moss@huntingdonshire.gov.uk