

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Internal Audit Actions -
Outcome of Management Review

Meeting/Date: Corporate Governance Committee - 28
September 2022

Executive Portfolio: Executive Councillor for Corporate & Shared
Services

Report by: Oliver Morley – Corporate Director (People)

Ward(s) affected: All

Executive Summary:

Following consideration of the outstanding audit actions at the July meeting of the committee a follow up report was offered by the Managing Director to report back on the review of actions by the senior leadership team. This report sets out the actions taken and provides a status report of all outstanding actions. The commentary will offer the committee assurances of the management and prioritisation of audit actions on the basis of operational and strategic risk.

Recommendation(s):

The Committee is

RECOMMENDED

1. Approve the review of audit actions and
2. Endorse the process of the operational management of audit actions.
3. Endorse the inclusion of a management response to all future audit reports, to allow the committee to ensure audit activity is proportionate to resource available.

1. PURPOSE OF THE REPORT

- 1.1 On a regular basis Corporate Governance committee review outstanding audit actions and it has been a point of concern that a number of actions remain unresolved, some after a considerable period of time. Senior officers have attended and given assurances about the need to prioritise activities and manage the balance between risks of none delivery against those of day to day service delivery pressures. This report presents an update following a review of the outstanding items by the senior leadership team.

2. BACKGROUND

- 2.1 Internal audit reports are 'owned' by the commissioning service manager, so it follows that once the report of the internal audit service is accepted responsibility for discharging any actions recommended falls to that service manager.
- 2.2 In some instances, the actions rely on cooperation across service or indeed organisational boundaries (where it specifically relates to shared services). In others the actions may be overtaken by statutory or other requirements which may render the recommendations obsolete. In other situations, managers have other priorities, or insufficient resources to dedicate to deliver the recommendations, and make a judgement about tolerating the risk of not implementing it. Whilst this may be undesirable, it is the reality of service delivery where sometimes difficult choices have to be made.
- 2.3 Some of the audit actions relate to old audit reviews and managers are now very clear that commissioning an internal audit review, and critically, accepting the report means that responsibility for those actions will sit with the commissioning manager. Unless challenged at the end of the audit review.
- 2.4 All of the outstanding actions have been reviewed through a consistent process and App1 now captures the situation as it currently exists.

3. PROPOSALS

- 3.1 A review of the actions has led to a number of findings, listed below. This review has identified a number of instances where the proposed audit action is no longer fit for purpose, is going to introduce unacceptable inefficiency into the organisation, or where some other concern exists. These findings, do not in any way challenge our need for a strong internal controls environment, rather it questions the most effective means of delivering this. In places, this will involve us placing temporary, often manual and inefficient, controls in place, with a view to discharging the actin via a more lasting and robust process.
- 3.2 A detailed review of open audit actions, has confirmed a number of actions which cannot be closed out in their entirety by the Head of Service to which they are currently assigned.

- 3.3 It has also highlighted a number of audit actions which are related, and where we have project activity underway to address these issues.
- 3.4 In addition, there are a number of audit actions, where further investigation has revealed that there is no path to completion of the action without either a significant piece of work, which needs to be scoped, costed and reviewed. In some instances the management recommendation in
- 3.5 With this in mind, and absolutely recognising the primacy of audit recommendation. It is of critical importance that the completion of an audit action, does not increase the overall risk environment of the Council, either through taking resource away from the management of critical activity – of the sort we saw during Covid, or through the implementation of piecemeal recommendations, which increase the overall risk environment of the authority by limiting the introduction of corporate solutions that enable a single view of risk and compliance to be taken. This assessment must be done on a case-by-case basis, and central to this is complete visibility by the Corporate Governance Committee and accountability of individual officers for the judgements made. This will be enhanced in the future by the inclusion of a Management Response within Audit reports, that enables Corporate Governance to be clear on the view of the service, and proposals for addressing any issues in the control's environment.

4. KEY IMPACTS / RISKS

- 4.1 There are always risks associate with choosing not to implement audit actions. Some of the risks will be mitigated by processes that service managers may elect to build in whilst others will be tolerated.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 5.1 App 1 sets out the proposals for the implementation of the remaining actions and senior officers will monitor compliance through existing management meetings. This will involve the re-formatting of some actions to be part of the wider project delivery framework.
- 5.2 This work has seen 10 ICT actions closed since June, and we should expect to see a similar pace of progress, particularly with regard to Corporate Resources, with their new Service Director now in place.

6. RESOURCE IMPLICATIONS

- 6.1 The reality is that many services continue to be under pressure due to increasing demand and no commensurate increase in resources, so managers will have to make decisions about prioritisation.

7. REASONS FOR THE RECOMMENDED DECISIONS

- 7.1 This review will provide the committee with the confidence that outstanding actions are receiving proportionate focus by service managers, with oversight provided by senior managers.

8. LIST OF APPENDICES INCLUDED

Appendix 1 – Updated Audit Action tracker

CONTACT OFFICER

Name/Job Title: Oliver Morley – Corporate Director (People)
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Email: oliver.morley@huntingdonshire.gov.uk

Appendix 2: Full Detail of Overdue Audit Actions September 2022

Management recommendation - Audit Position	Action Name	Priority Level	Action Detail	Fixed Target	Last Update	Update Summary	Service Area	Proposed action	Category	New Project/ Theme owner	What mitigation currently exists
Tolerated	Data Protection and Information Management 15.16	Amb er	The Senior Information Risk Officer (SIRO) shall decide how long information and emails etc shall be kept within Anite, and the process for purging or archiving.	30/09/2016	12/09/2022	Update on progress	Corporate Team	Closed. Pending IG project currently being commissioned.	(Information & Technology	Information Governance	Manged through IG board and IG management report to CGC

PCI DSS
18.19 / 3

Amb
er

A training needs assessment should be performed for all members of staff that have responsibility for PCI DSS compliance activities so as to determine their training needs.

01/04/2020

20/06/2022

We continue to work with our partner councils, outside specialist and 3CICT to achieve compliance.

Chief Operating Officer

A policy proposal to be brought forward to show how we will mitigate our PCI/DSS proposal.

(Information & Technology

Policy

Insurance policy and staff training

Mitigated

PCI DSS
18.19 / 4

Amb
er

Compliance should be monitored and action taken when members of staff are found to have not completed the PCI DSS training or have not read the policy and procedures.

01/04/2020

20/06/2022

We continue to work with our partner councils, outside specialists and 3CICT to achieve compliance.

Chief Operating Officer

Ensure central records of PCI/DSS training are held within HR system

Process and customer

Training and induction

Insurance policy and staff training

Mitigated

PCI DSS
18.19 / 5

Amb
er

Actions need to be drawn together in a policy which sets out how the council will manage PCA DSS compliance activities and the policy should be reviewed on a regular basis. this should include but not be limited to:

- Assignment of roles and responsibilities for ensuring that the Council is PCS DSS compliant
- Procures for staff that are responsible for taking card payments
- The Council's security

01/04/2
020

20/06/2
022

we continue to work with our partner councils, outside specialists and 3CICT to achieve compliance.

Chief Operating
Officer


A policy proposal to be brought forward to show how we will mitigate our PCI/DSS proposal.

Policy

Policy

Insurance policy and staff training

Mitigated



strategy in
relation to the
storage,
processing and
transmission of
credit card
data
- A set of
instructions for
detecting,
responding to
the storage,
processing and
transmission of
credit card
data.



Treasury Management 2020.21 / 1

Ambler

Management should put arrangements in place for ensuring that investment opportunities outside the Council's Treasury Management are identified and proactively monitored.

Furthermore, the Council should put in place detailed and defined guidance with regards to any such investment opportunities with clear linkages to the Council's Treasury Management

10/06/2021

06/09/2022

Treasury Management-1 Documented procedures and guidance, 2. Evidence of such opportunities being identified

Corporate Resources

Leave

Process and customer

Policy

0

Mitigated

Strategy and framework.

Purchase Order Compliance 2019.20 / 1

Amber

Investigation into what can be done within the system to place a lockdown on budget codes so only budget manager and their delegated officers can use their cost centre and approve expenditure on their code. This investigation

30/06/2021

31/07/2022

Added to T1 development list

Corporate Resources

Leave

(Information & Technology

Service

0

Open



will also find out what HDC can amend alone and what can be done with Tech1 assistance (and the cost of this).

Investigation should also look at whether the system can be set so that the PO originator defaults to sending the PO to the budget holder i.e. link a user to a default approver.

Further investigation will be taken to find out whether the system can be improved by showing the

Purchase Order Compliance 2019.20 / 2

Ambler

30/06/2021

05/09/2022

Initial testing started w/c 5/9/22

Corporate Resources



Leave

(Information & Technology

Service

0

Being tested

approver the remaining budget at the time of approving a requisition. This will enforce informed commitment making and remove existing blind approvals.



	Land Charges 18.19 / 3	Amb er	Written procedures should be in place to support how the costs and calculation process is carried out.	30/06/2021	10/06/2022	Update	Corporate Resources			
Open	Creditors 2020.21 / 3	Amb er	The Supplier Amendment Form (SAF) will be updated to include the requirement for Tech1 to be checked for existing suppliers prior to the new supplier being	31/07/2021	17/08/2022	Done and added to the intranet for both SAF1 and SAF2. Email to Purchase Ledger users requestin	Corporate Resources	Leave	Process and customer	Service 0
Open								Leave	Process and customer	Service outstanding but in progress

Being tested

Purchase Order Compliance 2019.20 / 5

Amber

requested. In addition, AP staff will be reminded of the need to check the system before a new supplier is created.

Written procedures on the PO process will be written and issued to users. Users will be educated and refreshed on certain areas not being performed correctly and causing delays or inefficiencies in the process e.g. current issue of failure to receipt, inappropriate use of

30/09/2021

05/09/2022

g that they use these forms from now on


Guidance has been drafted and circulated later this week with the issue of retrospective orders being addressed also.

Corporate Resources

Leave

Process and customer

Service 0



retrospective
ordering.

Guidance will
give specific
reference to
use of
retrospective
ordering;
correct VAT
codes; use of
the delegation
functionality to
avoid delays;
etc. Guidance
should be
posted to the
'Popular'
section of the
Intranet for
quick access
for users.



Purchase Order Compliance 2019.20 / 6

Ambler

The above user guidance will include specific guidance on the use of retrospective ordering (when it is appropriate/efficient to use).

Consideration will also be given to introducing a Performance Indicator for retrospective ordering to measure its ineffective usage and inform where further education is needed.

30/09/2021

13/07/2022

Meeting with Sharon and Karen booked for 19th July to discuss this. I thought I had offered to have some training (and the team) to gain knowledge of the process for purchase ordering to offer some advice to the services where necessary

Corporate Resources

Leave

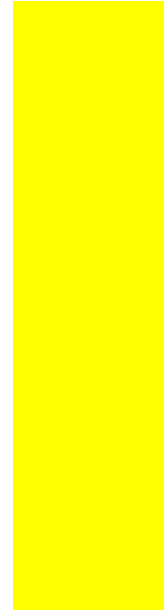
Process and customer

Service 0

Being tested



in order
to prevent
delays in
payment
of
invoices
not to
take on
the entire
job. It is
my
opinion
that this
should
not fall
within my
remit.



Purchase Order Compliance 2019.20 / 7

Ambler

Guidance will also include the use of 'bulk orders' which can be used for contracts requiring repeated invoices over the year introducing draw-down from the total commitment.

This will be set-up and users provided with education and a demo on its use and application within Services.

30/09/2021

13/07/2022

Meeting with Sharon and Karen booked for 19th July to discuss this. I thought I had offered to have some training (and the team) to gain knowledge of the process for purchase ordering to offer some advice to the services where necessary

Corporate Resources

Leave

Process and customer

Service 0

being tested

Open

Main Accounting System 2020.21 / 1



Amb
er

The Disaster Recovery Plan will be reviewed and updated to reflect the move to Tech1 and any revised arrangements to ensure continuity of service across

30/09/2021

08/09/2022

in order to prevent delays in payment of invoices not to take on the entire job. It is my opinion that this should not fall within my remit.

Progress Update

Corporate Resources



Leave

Financial and Contractual

Service

0

the wider Finance area.

Main Accounting System 2020.21 / 3

Amber

The Payroll reconciliation will be remapped / worked up for the new HR / Payroll system. Instructions will be documented and the routine task handed over to the Payroll team for actioning.

30/09/2021

15/06/2022

Progress Update

Corporate Resources

Leave

Process and customer

Service 0

Tolerated/Delivered

Creditors
2020.21 /
4

Amb
er

Options for
monitoring and
addressing
duplicate
payments will
be investigated
and staff (AP
team and
wider services)
will be
reminded of
the checks
required when
processing
invoices for
payment.

30/09/2
021

17/08/2
022

Unable to
provide
this type
of
informati
on from
basic
system
reports. It
may be
that an
xclone
report will
be able to
pull
through
this type
of
informati
on. I will
need
xclone
report
training in
the first
instance
and even
then it
may only
be
somethin

Corporate
Resources

Leave

Process
and
custome
r

Service

not clear
what
action
has been
taken so
far.
cannot
see how
this is
delivered
(unless
detail is
on
4Action?)

Tolerated/Deli
vered

Open

Purchase Order Compliance 2019.20 / 4

Amber

Self - authorised requisitions will be monitored. The process by which this will be done is yet to be decided: it is likely to be a 6 monthly report of activity and volume, and check and re-education.

31/10/2021

10/06/2022

Report has been written and will be sent out quarterly initially for Accountants to discuss with Managers during budget monitorin

Corporate Resources

g that Tech One can (or may not be able to) supply.


Leave

Financial and Contractual

Service

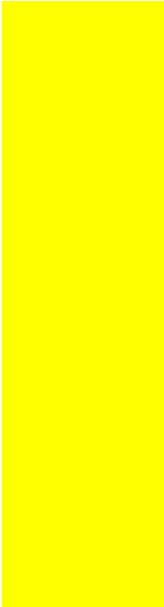
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Open	Treasury Management 2020.21 / 2	Amber	<p>Management should finalise the Terms of Reference for the Council's Treasury and Capital Management Group, which should ensure that the Group provides sufficient oversight and monitoring of the Council's treasury management activities.</p> <p>Furthermore, the Terms of Reference should define the frequency</p>	31/10/2021	06/09/2022	<p>g, starting with Q1</p> <p>Treasury Management. 1. Finalised TCMG Terms of Reference, 2. Minutes from TCMG meetings that show sufficient coverage of treasury management activities 3. Meeting summaries identify actions</p>	Corporate Resources	Leave	Policy	Policy	0
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with which the Group should meet and there should be a requirement for action plans to be put in place and followed up to resolution.

and decisions from the text of the meeting (see summary in item 2). This allows actions to be followed up more easily at the next meeting



Budget Monitoring and Forecasting 2020.21 / 1

Ambler

Management should perform a training needs analysis to identify and assess the level and type of training required by members of staff with regards to budget monitoring and forecasting and the use of the forecasting module, which should include, but not be limited to, salaries and project budgets.

A mandatory training programme should be put in place that is based upon

31/12/2021

03/03/2022

Service update

Corporate Resources


Leave

Process and customer

Training and induction

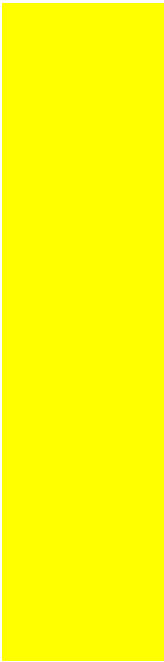
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Mitigated



the
requirements
of the training
needs analysis.

Training
completion
should be
recorded and
monitored and
training should
be maintained
for audit
purposes.



Budgets and MTFS 2020.21 / 1

Ambler

Management should perform a training needs analyses to identify and assess the level and type of training required by members of staff and Members with regards to the MTFS and the use of the budget module, which should also identify any training needs for Members.

A mandatory training programme should be put in place that is based upon the requirements of the training

31/12/2021

03/03/2022

Service update

Corporate Resources

Leave

Process and customer

Training and induction

#N/A

Open

needs analysis.

Training completion should be recorded and monitored and training records should be maintained for audit purposes.

Budgets and MTFS 2020.21 / 2

Amber

Management should document the Council's MTFS methodology, which should include, but not limited to:
- The documentation required and used during the process
- Interviews

31/03/2022

30/03/2022

Update

Corporate Resources

Leave

Financial and Contractual

Service

0

Mitigated

with key personnel undertaken
- Risk assessments
- Information gathered and used, including the basis for assumptions

Main Accounting System 2020.21 / 4

Amb
er

Debtors reconciliation issues will be investigated and resolved. The process for the reconciliation going forward will be documented and responsibility handed over to the Exchequer Officer.

31/03/2022

15/06/2022

Progress Update

Corporate Resources

Leave

Process and customer

Service

0

Tolerated/Delivered

	Debtors 2020.21 / 1	Amb er	Systems, processes and resource needs will be reviewed across the whole Debtors function. An action plan will be established, in conjunction with the team, to support delivery of improvements and address the control failings identified during the quarterly reviews (see Appendix, attached to the action).	31/03/2 022	10/06/2 022	Update	Corporate Resources				
Being tested								Leave	Process and custome r	Service	0
	Creditors 2020.21 / 2	Amb er	Written procedure notes will be reviewed and updated to ensure that	31/03/2 022	05/09/2 022	Team meeting on 5th Sept to finalise details	Corporate Resources				
Being tested								Leave	Process and custome r	Service	0

			they are reflective of current practices and cover all elements of the creditors system											
	Small Works Contract 21.22 / 1	Amber	A dedicated small works contract or framework agreement will be tendered and formalised for use across the authority.	30/04/2022				Corporate Resources						
Open	Small Works Contract 21.22 / 2	Amber	Staff responsible for procurement will be made aware of the contract, its use mandated, and details of pricing / rates and staff responsibility will be communicated	31/05/2022	05/09/2022	Still on action list	Corporate Resources		Leave	Financial and Contractual	Service	0		
Open			.						Leave	Financial and Contractual	Service	0		

Inventory of IT Assets 2021.22 / 4

Ambler

Update the Asset Tagging Process to include:

31/05/2022

09/09/2022

Procedure document being finalised

3C ICT

An independent officer to run a monthly report to ensure the number of assets ordered via Tech1 reconciles with the number of assets uploaded into the inventory for the same month. Any discrepancies need to be reported. [An independent officer should be someone separate from




Tolerated/Delivered

Leave

Process and customer

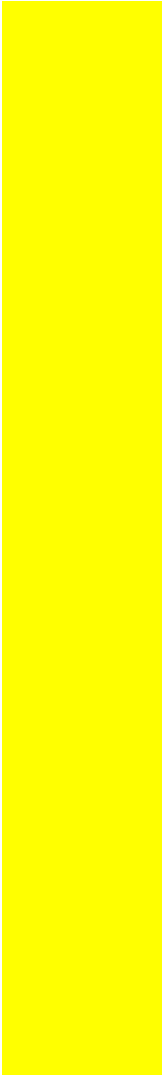
Service



the officers
who received
the order at
Pathfinder
House and
uploaded the
assets into the
inventory].

A process to
create an entry
in the
inventory to
record asset
tag 'errors'
and gaps and
provide an
explanation as
to why an
asset number
is not assigned
to an asset.

This should be
followed with
retraining
staff of the
new asset
tagging
process.



	Inventory of IT Assets 2021.22 / 5	Amb er	Review the inventory to locate gaps in the asset number sequence and create entries to explain the reasons for these gaps.	29/07/2022	09/09/2022	Procedure now in place for gaps in sticker sequencing	3C ICT				
Open	Creditors 2021.22 / 1	Amb er	Once procedure notes have been completed and finalised, thoroughly review these with the team so they are following the same process and procedure. Ensure that the outcome from transformation has been considered when writing	29/07/2022	05/09/2022	Team meeting on Thurs 5th Sept to finalise. With comms across the organisation to be provided on PO's as under a separate Action, the AP notes will only apply	Corporate Resources	Leave	(Information & Technology	Service	0
Open								Leave	Process and customer	Service	#N/A

Open	Compliance with the Code of Transparency 2021.22 / 1	Amber	<p>the procedure notes.</p> <p>Please also communicate the procedure across the organisation with the aim that all officers are following the same process and procedure.</p> <p>Review the formal process document which outlines responsibilities for each data set including who is responsible for updating the data, what information needs to be included and the frequency of upload. If</p>	30/07/2022	to the AP team	Corporate Director - People	To be embedded in existing working processes, not to create another strategy to maintain	Policy	Policy	0
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Open	Compliance with the Code of Transparency 2021.22 / 2	Amber	<p>this document no longer exist/cannot be located, a new document should be created to capture this information.</p> <p>[This was originally created under Action 1054 during the 2015/16 audit of the the Transparency Code.]</p> <p>Appoint an 'owner' of the Transparency Code, so that they can be a point of contact, held accountable for the</p>	30/07/2022	Corporate Director - People	To be embedded in existing working processes, not to create another	Policy	Policy	0
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Open

Compliance with the Code of Transparency 2021.22 / 3

Amber

information uploaded and ensure HDC remain compliant with the code. This owner should ensure that the process outlined is adhered too by other services who hold the data. Review the information that is currently held on HDC's website in relation to the Transparency Code. Any data which is out of date should be removed and any links mentioned relevant.

30/07/2022

Corporate Director - People

strategy to maintain

To be embedded in existing working processes, not to create another strategy to maintain

(Information & Technology

Policy

0

	Overtime 21.22 Action 2	Amb er	At least six- monthly reports will be generated by Payroll, and HR will review and identify any overtime “anomalies” and liaise with Service Managers to better understand / address issues or concerns.	31/07/2 022		Corporate Resources				
Mitigated							Leave	Process and custome r	Payroll	0
	Main Accounti ng System 21.22 Action 2	Amb er	Larger value items in the Cashiers Suspense Account will be reviewed, evidenced as such, and corrected where possible.	31/07/2 022	06/09/2 022	Unidentifi ed income items received being held on cashiers suspense account				
Mitigated							Leave	Financial and Contract ual	Service	0

Inventory of IT Assets 2021.22 / 8

Amb
er

Create policy regarding the donation of ICT assets to communities. This needs to outline what assets can be donated, the criteria for who may receive donated assets and who can authorise the donation. A process also needs to be produced alongside this to confirm how applications for assets can be made and how approval is given.

31/08/2022

3C ICT

Leave

Policy

Service

0

Complete

	Main Accounting System 21.22 Action 1	Amb er	The Interim Finance Manager will review reconciliations performed by the Financial and Treasury Accountant. Reconciliations performed for Payroll and Debtors will be reviewed by a member of the Finance team.	30/09/2022	19/07/2022	Report Upload	Corporate Resources				
Complete	Debtors 21.22 Action 1	Amb er	The Credit Control Manager will develop a timetable for key debtor tasks and debt recovery actions, this will be shared with the team and used to direct duties and activity.	30/09/2022	07/09/2022	Delayed meeting for a week as one of the team now has covid	Corporate Resources	Leave	Financial and Contractual	Service	0
Open								Leave	Financial and Contractual	Service	0

	Debtors 21.22 Action 2	Amb er	The Credit Control Manager will establish a programme of routine meetings with Service Managers to review debt lists.	30/09/2 022			Corporate Resources					
Open								Leave	Financial and Contract ual	Service	0	
	Debtors 21.22 Action 3	Amb er	Monthly management information and debt collection performance data will be prepared and reviewed to support the ongoing monitoring of activity and workload.	30/09/2 022	05/09/2 022	Training has been arranged for T1 reporting required for this informati on. In the meantime , timetable has been arranged for each of the 2 AR officers to have one day per	Corporate Resources					
Open								Leave	Financial and Contract ual	Service	0	

week solely on debt recovery. This can be monitored using an arrears report from T1.

	Small Works Contract 21.22 / 3	Amber	Formal contract management monitoring arrangements will be established, including review of spend, spot checking procurements and routine liaison meetings with service users and the supplier.	30/11/2022	Corporate Resources				
Open	Small Works	Amber	Spend outside of the contract	30/11/2022	Corporate Resources	Leave	Financial and Contractual	Service	0
Open	Small Works	Amber	Spend outside of the contract	30/11/2022	Corporate Resources	Leave	Financial and	Service	0

