

**Public
Key Decision - No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Implementation of Internal Audit Actions

Meeting/Date: Corporate Governance Committee – 25 January 2023

Executive Portfolio: Executive Councillor for Corporate & Shared Services, Councillor Martin Hassall

Report by: D 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. KPI not achieved, but significant progress has been made in closing out some of the older actions.

Performance in the last 12 months* to 5th January 2023:

28 actions implemented - 27% within target, increasing to 57% when including beyond target implementation

21 actions still to be implemented – 22%

(actions due before the last 12 months period are not included)*

26 overdue audit actions remained outstanding at 5th January 2023

This is down from 34 in the last report, which can be attributed to an increased focus on ensuring managers review their outstanding actions and evidence any work undertaken.

3 actions implemented and closed since last report in November 22

56 audit actions closed since April 2022 – number is the same as last time as some actions were re-opened following follow up / verification

48 open audit actions at January 2023

Recommendation:

It is recommended that the Committee consider the report and comment on the progress achieved and state any action they wish to be taken.

1. PURPOSE OF THE REPORT

1.1 To update members on the implementation of audit actions.

2. WHY IS THIS REPORT NECESSARY?

2.1 To give visibility to members of the progress being made in closing out audit actions, or alternative measures being taken to mitigate risk impacts.

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. Recommended actions following an audit are discussed, 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; actions should be completed by their target date or reasons presented where this is not possible e.g., system changes take longer than expected or other service demands which carry a greater risk take priority.

3.3 For the 12 months ending 5th January 2023 49 audit actions were due to be implemented (deadline date in this period). The following shows the performance against due dates:

- 27% (13 actions) were "implemented within target"; this increases to
- 57% (28 actions) when late implementation is also included
- 43% (21 actions) are yet to be implemented.

4. NON-IMPLEMENTATION OF AUDIT ACTIONS

4.1 Operational circumstances sometimes mean non-implementation or missed deadlines for an audit action. Increased efforts have been made to ensure Service Managers are aware of outstanding actions, update whether progress has been made or operational factors have impacted on their implementation. Overdue actions are also reported to Committee for governance oversight.

4.2 Extensions to deadlines are no longer given. Instead, Action Owners can insert their own 'progress update', which will give a better indication of work being taken to implement the action and to notify any reasons for delay. The next step is to review reporting and escalation processes for this information; if there are barriers to implementation, assistance or resource is required to ensure the action is completed or if the organisation is content to accept the risk for longer and what mitigating actions are required.

- 4.3 As at the 5th January 2023, 26 audit actions had not been implemented within target. This includes all overdue actions (not just those due in the last 12 months) to give a more accurate reflection. This is a reduction of 50% from the previous report provided.

A summary is provided at Appendix 1 below.

Of these 26 overdue actions:

- - 4 (*last report 4*) actions 2 years+
- ↑ 6 (*last report 4*) actions are 1 year+
- ↑ 4 (*last report 3*) actions are between 6 months & 1 year overdue
- ↑ 12 (*last report 6*) actions are less than 6 months overdue

** Time is measured from the 'original target implementation date' to the 05th January 2023.*

- 4.4 In preparation for this report, owners of overdue audit actions have been asked to provide an update as to the status/progress of their action(s). The detail in Appendix 1 provides this 'last update' from the action owner. This gives Members further information as to the progress being made and potentially a new expected completion date. This provides meaningful information outstanding action progress, delays or hold-ups.

- 4.5 At Committee's request an additional detail of the reported audit opinion has been added to the summary of overdue actions table. The audit opinion is given in the audit report at close of an audit and relates to how well the system risks are managed by internal controls. It does not mean that all audit actions within the report have the same priority rating, since each action is given a priority based on risk mitigation significance and urgency.

- 4.7 Officers with actions assigned to them have direct access to the system to enable them to manage those actions. Reminders are sent from the 4Action system in advance of the target date and managers are expected to act on these.

- 4.8 At the request of Committee, an additional Appendix is included, listing all the implemented audit actions that have been closed by the Services since April 2022 (Appendix 2). Three actions have been closed since the last report, but additionally three actions have also been reopened by Audit as they were not deemed fully implemented at our follow up review.

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 appropriate members of the Service and, if appropriate, Directors, and agreement is reached as to any corrective/mitigating action that needs to be taken. Internal audit actions are not imposed on management or Services.

- 5.2 Actions that are proposed by Internal Audit but not agreed by the Service are included in the Internal Audit report, together with response/ details as to why the Service does not agree to implement. Senior Management

would be asked to decide on whether the action needs to be taken or risk accepted (with reference to risk appetite).

- 5.3 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 albeit other controls within the organisation may mitigate the impact.

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 is presented to Committee to give comfort that progress is being made in completing audit actions.

9. LIST OF APPENDICES INCLUDED

Appendix 1 – Overdue Audit Actions at 5th January 2023

Appendix 2 – Closed /implemented Audit Actions closed since April 2022

BACKGROUND PAPERS

Audit actions contained within the 4Action system

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