

**Public  
Key Decision – No**

**HUNTINGDONSHIRE DISTRICT COUNCIL**

**Title/Subject Matter:** Implementation of Audit Actions

**Meeting/Date:** Corporate Governance Panel – 3 June 2015

**Executive Portfolio:** Resources: Councillor J A Gray

**Report by:** Internal Audit and Risk Manager

**Ward(s) affected:** All Wards

**Executive Summary:**

Performance information for the implementation of agreed internal audit actions for the year ending 30 April 2015 is shown below (and in detail at Appendix 1).

<b>Status of Action</b>				
	Introduced on time	Introduced Late	Not introduced	<b>TOTAL</b>
Red Action	20	9	3	32
Amber Action	57	29	10	96
<b>Total</b>	<b>77</b>	<b>38</b>	<b>13</b>	<b>128</b>
<b>% age</b>	<b>60%</b>	<b>30%</b>	<b>10%</b>	

13 actions have not been introduced, and of these 2 are more than 6 months late and 2 are more than 1 year late.

The performance information has been prepared from the audit actions e-database. This sits on the Council's intranet and is managed by Internal Audit. It is designed to be accessed and updated by Managers who have been allocated actions (through the agreed final internal audit report).

The performance information is produced monthly. Managers are reminded at the mid-point of each month to review any outstanding actions, to update the progress / implementation status or to contact the Internal Audit team if they consider that they are unable to achieve the agreed date.

**Recommendation(s):**

It is recommended that the Panel note the report.

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## 1. WHAT IS THIS REPORT ABOUT/PURPOSE?

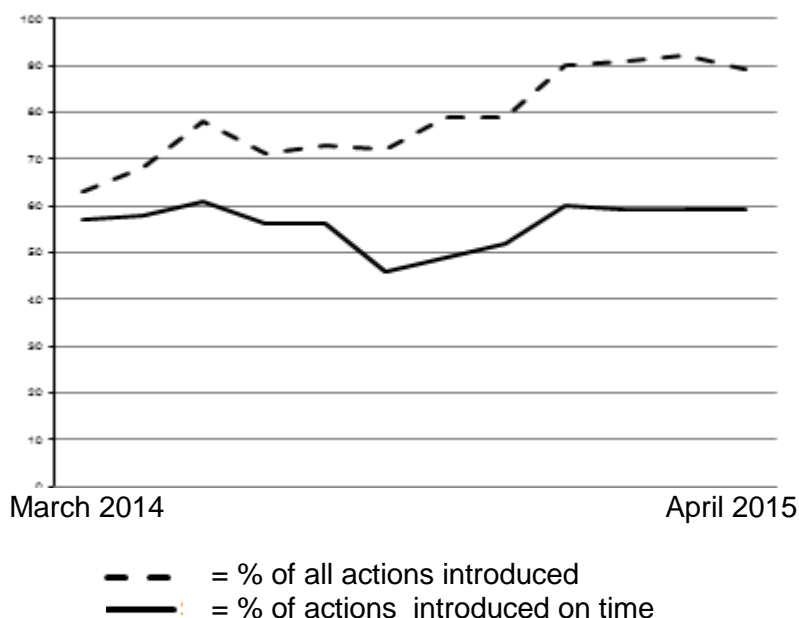
- 1.1 The report provides the Panel with details of the implementation rates achieved by Managers in respect of agreed internal audit actions.

## 2. WHY IS THIS REPORT NECESSARY/BACKGROUND

- 2.1 The continued poor performance with the introduction of agreed internal audit actions remains a matter of concern for the Panel. Whilst the Managing Director has reported to the Panel that delivery of the actions is to be a priority for the Corporate Management Team (CMT), the Panel felt that it needed to take positive action to support CMT in improving performance and requested that a report on performance be presented to each Panel meeting until such time that performance was considered 'satisfactory'.

## 3. ANALYSIS

- 3.1 The CMT have set a target of 100% of agreed internal audit actions should be introduced on time.
- 3.2 The performance for the year ending April 2015 shows that target has not been achieved, with 60% of agreed audit actions introduced on time. A further 30% of the agreed audit actions have been introduced, but late. There remains 10% outstanding. A breakdown by Head of Service is attached at Appendix 1 whilst Appendix 2 details the outstanding actions.
- 3.3 Despite previous improvements, performance for the current period has reduced overall.



## 4. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

- 4.1 Monitoring the introduction of agreed audit actions is an important management responsibility. The Panel need to have confidence that action is

being taken by the agreed deadline to improve the governance and internal control framework and/or further mitigate unacceptable levels of risk.

- 4.2 The successful implementation of agreed internal audit actions is an indicator of the control tone across the Council and enables it to demonstrate that it maintains high standards of governance and internal control. CMT will be reviewing the implementation of actions monthly as part of the performance monitoring information.

## **5. LINK TO THE CORPORATE PLAN**

- 5.1 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 are able to deliver the Corporate Plan objectives as efficiently, effectively and economically as possible.

## **6. LEGAL IMPLICATIONS**

- 6.1 There are no legal implications arising from this report.

## **7. RESOURCE IMPLICATIONS**

- 7.1 There are no financial implications arising from this report.

## **8. REASONS FOR THE RECOMMENDED DECISIONS**

- 8.1 The report is for information only. It contributes to the Panels understanding of the Council's governance and internal control framework.

## **13. LIST OF APPENDICES INCLUDED**

Appendix 1 – Implementation of Agreed Internal Audit Actions  
as at 30 April 2015.

Appendix 2 – Outstanding Audit Actions as at 30 April 2015.

## **BACKGROUND PAPERS**

Agreed audit actions database

## **CONTACT OFFICER**

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## Implementation of Agreed Internal Audit Actions as at 30 April 2015.

Head of Service	Actions Introduced on Time	Actions Introduced on Time	Actions Introduced on Time and Late	Actions Introduced on Time and Late	Not Introduced		Total Actions Due in 12 Month Period
	Number	Percentage	Number	Percentage	Red	Amber	
Managing Director	0	0%	3	100%	0	0	3
Corporate Team Manager	13	52%	22	88%	1	2	25
Corporate Director, Services							
Head of Resources	10	37%	20	74%	1	6	27
Head of Customer Services	32	89%	36	100%	0	0	36
Head of Operations	5	38%	13	100%	0	0	13
Corporate Director, Delivery							
Head of Development	1	33%	3	100%	0	0	3
Head of Community	3	100%	3	100%	0	0	3
Head of Leisure & Health	13	72%	15	83%	1	2	18
<b>Total</b>	<b>77</b>	<b>60%</b>	<b>115</b>	<b>90%</b>	<b>3</b>	<b>10</b>	<b>128</b>
<b>Target</b>		<b>100%</b>					

**Red Actions:** These are actions that must be implemented as the current exposure to risk is unacceptably high, indicating a major control weakness. Actions will be given a red priority when the residual risk identified may adversely affect the annual governance statement, result in the loss of funds or assets, or lead to service delivery failures which could adversely affect the Council's reputation.

**Amber Actions:** These are actions that managers should consider introducing as the current risk exposure is high. Control weaknesses have been identified that have the potential to compromise internal control, operational effectiveness or service delivery. Actions will be given amber priority when the residual risk has identified non-compliance with established good practice, the lack or failure of performance management or reporting systems, or failures in subsystems.

## Corporate Team Manager

Audit	Findings	Agreed Action	Due Date (month end)	Current Position
Staff Training & Development 2014/15	<p><b>Red</b></p> <p>Testing revealed that training spend for 2013/14 outside of the LGSS contract was approximately £230k. It was also noted that the 500 training place allocations are consistently under used. LGSS consider that these places are not available for service specific / technical training (for example Operations related training), but are for generic training only, e.g. equality &amp; diversity.</p> <p>The OWD element of the LGSS contract includes a number of areas where the LGSS proposal does not appear to be delivered in full (e.g. service (technical) training and development needs are analysed and learning interventions and solutions commissioned as appropriate), and others which are being interpreted differently by ourselves and LGSS.</p> <p><i>Training provision may not meet the needs of staff and the authority</i></p> <p><i>Savings may not be realised where spend continues in addition to the LGSS provision</i></p> <p><i>Service provision may be adversely affected where contract terms are not enforced.</i></p> <p><i>The current expenditure on training is not delivering value for money.</i></p>	Agreement will be sought with LGSS on the scope of the training that is to be delivered under the contract. If necessary, protocols and guidelines for the operation of the contract will be documented and agreed for clarity.	March 2015	<p>Partially introduced.</p> <p>The LGSS currently offer a wide and varied training programme. However not all of the Council's training needs are covered by it.</p> <p>Once the 2014/15 appraisal process has been completed, training needs that sit outside of the LGSS programme will be identified and referred to LGSS. LGSS intend to update their training programme to reflect the Council's requirements so allowing for an increase in use of the 500 training places. It is expected that this will also lead to a reduction in off-contract spend.</p>

Audit	Findings	Agreed Action	Due Date (month end)	Current Position
National and Local Indicators 2009/10	<p><b>Amber</b> From our testing of five indicators, two (NI195 and 'The number of dwellings improved by the actions of the Council') did not have a data measure template in place for recording of the indicator methodologies and responsible officers, including the officer accountable for data quality checks.</p> <p><i>There is a risk that inconsistent recording and/or methodologies could result in incorrect data being reported. In addition, unless designated officers are assigned responsibility, there is a risk of a lack of accountability in place.</i></p>	<p>To enable consistent accurate reporting of data each of the indicators included within the divisional quarterly performance reports should be documented on the standard data measure template.</p> <p>This document should record the officer responsible for compiling and checking the information, the methodology used, the reporting timescales and associated measures and targets.</p>	March 2014	<p>Partially introduced.</p> <p>Templates have been issued and 50% have been completed.</p>
Payments in Lieu 2011/12	<p><b>Amber</b> Overtime and additional hours are paid at different rates (1, 1.5 or 2 times hourly rate) with little guidance as to the application of each rate. This issue was identified in the June 2007 internal audit review of Overtime. The Head of HR agreed that standard procedures for overtime would be introduced by November 2007 to ensure that employees receive the same overtime rates. This action was not introduced.</p>	<p>LGSS will review our current procedures for the payment of overtime with a view to standardising practice.</p>	March 2015	<p>Outstanding.</p> <p>This will be included in our Pay Policy and Flexible Working Policy scheduled for review during 2015/16.</p>

## Head of Service: Resources

Audit	Findings	Agreed Action	Due Date (month end)	Current Position
Loans and Investments 2014/15	<p><b>Red</b></p> <p>The Head of Resources maintains a Treasury Management Practices (TMP) manual that details how the CIPFA 2011 Code of Practice for Treasury Management in the Public Services will be followed. The manual contains a number of minor errors which need to be corrected. It also needs to be revised to reflect current working practices and post changes, including the DMO authorised list.</p> <p><i>The current manual does not reflect the current working arrangements.</i></p> <p><i>Staff may be unaware of the correct procedures to follow</i></p>	The TMP manual will be reviewed and updated to reflect current decision making responsibilities and working practices.	April 2015	Outstanding.
VAT 2013/14	<p><b>Amber</b></p> <p>Discussion confirmed that the CIPFA VAT code of practice has not been adopted</p> <p><i>Non-compliance with best practice guidelines</i></p>	Adopt the CIPFA VAT code of practice and review the processes involved to ensure compliance with the code.	March 2014	Partially introduced.  Processes have been reviewed and training is being looked into to achieve compliance.
Repairs and Maintenance of HDC property and equipment 2013/14	<p><b>Amber</b></p> <p>18% of property on the fixed asset register has not been assigned to a manager. It should also be noted that the fixed asset register does not contain all the Council's operational property</p> <p><i>Property assets may not be maintained</i></p>	Once the appropriate Head of Service have been recruited, they should works towards delivering a corporate fixed asset register that covers all council owned property. A manager will be named as being responsible for the management and maintenance of each property on the register.	March 2015	Outstanding.



Audit	Findings	Agreed Action	Due Date (month end)	Current Position
Commercial Rents and Estates Management 2013/14	<p><b>Amber</b> From review and discussion it has been confirmed that the Current Estates spreadsheet (the main record for recording tenant and property information) is out of date and does not contain all the necessary lease information. (e.g. changes in tenants, underlying property data, rent review completions, due dates etc).</p> <p><i>Inaccurate and incorrect data reduces efficiency and increases the risk of errors being made</i></p>	The commercial estates module in the Uniform system will be investigated & assessed for 'fit for purpose'.	February 2015	Partially introduced. System still being considered in view of a number of upgrades.
		If the Uniform system is deemed 'fit for purpose', the system will be implemented as a replacement for the estates spreadsheet.	January 2015	Partially introduced.
Commercial Rents and Estates Management 2013/14	<p><b>Amber</b> There is no plan of work for the repairs or maintenance of commercial properties; repairs are carried out on a reactive basis only. The repairs and maintenance budget is based on previous years spend.</p> <p><i>The condition of the property portfolio may decline leading to reduced occupation and increased repair costs</i></p>	Prioritise maintenance and repair work to ensure that commercial properties are maintained to the required standards to achieve the optimum rent and maintain tenant satisfaction.	March 2015	Outstanding.
Main Accounting System – Continuous Auditing 2013/14	<p><b>Amber</b> The Income and Income Suspense bank reconciliation summary has not been completed. At present there is a difference of approximately £20k. The main bank account reconciliation summary for March 2014 has not been produced. All transactions in this bank account have to be entered manually using a journal. Due to the issues with the income reconciliation, the overall bank summary spreadsheet has not been completed. The Paymaster and the Loans and Investment reconciliations have not yet been signed off by Accountancy.</p>	All bank accounts for the period ending 30 June, will be fully reconciled and approved by the 31 July 2014	July 2014	Partially introduced.

## Head of Service: Leisure and Health

Audit	Findings	Agreed Action	Due Date (month end)	Current Position
One Leisure Impressions 2013/14	<p><b>Red</b></p> <p>Impressions facilities are operating without formal business, strategies and targets / performance measures. There has been little management presence or direction at a site level. Staffing arrangements are inconsistent across the sites.</p> <p><i>Reduced use and reputation of facilities as a result of poor corporate management</i></p>	<p>Formal plans, strategies and targets will be established for the Impressions facility, which will be subject to regular review and monitoring. Staffing structures will be formalised to ensure that appropriate skills and resources are available both at a site and cross – facility level. Meeting schedules will be agreed to ensure that issues are discussed and communicated.</p>	September 2014	<p>Partially introduced.</p> <p>Recruitment process is underway and once complete work will begin on reviewing the impressions structure and operations.</p>
One Leisure Impressions 2013/14	<p><b>Amber</b></p> <p>Procedure notes in place do not cover all aspects of the service / work undertaken by staff. Guidance is split between the QMS and Impressions Data drives, which may hinder staff in locating and accessing information.</p> <p>At OLS a manual file is retained in the Gym Office containing key policies / procedures, which are reviewed and signed off by staff as appropriate.</p> <p><i>Staff may be unaware of the correct procedures to follow</i></p>	<p>Procedure notes will be reviewed for relevance and appropriateness. Guidance will cover all key processes / work undertaken within Impressions, including stock control. Guides will be located in a SharePoint site so that staff can easily locate information.</p>	March 2015	<p>Partially introduced.</p> <p>Recruitment process is underway and once complete work will begin on reviewing the impressions structure and operations.</p>
One Leisure Impressions 2013/14	<p><b>Amber</b></p> <p>16 PARQ forms were selected for review – in 1 case the form could not be located, and in 1 case the form only recorded the client name, no other details had been included.</p> <p>In a small number of cases the Wellness system had not been updated with information from the</p>	<p>PARQ forms will be completed and signed by all members. Staff will be reminded of the need to update the Wellness system with all information</p>	March 2015	<p>Partially introduced.</p> <p>Recruitment process is underway and once complete work will begin on reviewing the</p>

Audit	Findings	Agreed Action	Due Date (month end)	Current Position
	<p>PARQ. Where PARQs have been archived, the system provides the most accessible health record.</p> <p>It was found during testing that different versions of the Wellness system are in use, and subsequently differing degrees of information is captured.</p> <p><i>Incomplete / inaccurate records may be maintained.</i></p>	<p>recorded on the PARQ and identified in the induction programme.</p> <p>All sites will use the same version of Wellness for completeness of record keeping.</p>		<p>impressions structure and operations.</p>