

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Implementation of Outstanding Internal Audit Actions
Meeting/Date:	Overview & Scrutiny Economic – 3 rd September 2015 Cabinet – 17 th September 2015
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Head of Resources
Ward(s) affected:	All Wards

Executive Summary:

At the 3rd June 2015 Corporate Governance Panel, the Panel received a report detailing 13 Internal Audit recommendations which were outstanding as at the 30th April 2015. Via a recommendation by Council, the Cabinet is asked to comment in respect of each of the recommendations that remain outstanding as shown in Appendix 1.

Recommendation(s):

That Cabinet:

- i. notes the comments of Council
- ii. requests Portfolio Holders to ensure that recommendations are implemented in line with the revised deadlines (as shown in Appendix 1) and report to Cabinet if the revised deadlines are not achieved.

1. WHAT IS THIS REPORT ABOUT/PURPOSE?

1.1 As a consequence of:

- a concern raised by the Corporate Governance Panel (CGP) at their 3rd June 2015 meeting in respect of outstanding Internal Audit recommendations,
- the Panel recommended to Council that they ask Cabinet to take appropriate action to address their concerns.

2. BACKGROUND

2.1 At the 3rd June CGP, the Panel received a report detailing 13 Internal Audit recommendations which were outstanding as at the 30th April 2015. Via a recommendation by Council, the Cabinet is asked to comment in respect of each of the recommendations.

3. ANALYSIS

3.1 The details of each of the original recommendations, as presented to CGP are shown at Appendix 1.

3.2 Of the 13 recommendations that were not implemented when reported to CGP:

- 4 recommendations are now fully implemented.
- 4 recommendations are partially implemented.
- 5 recommendations are not implemented.

Appendix 1 also includes an update by the relevant Head of Service with an anticipated implementation date.

3.3 Members should note that by the end of October, all recommendations bar one are scheduled to have been implemented.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 The Overview and Scrutiny (Economic Well-Being) Panel noted the report but questioned the need for it to come to Scrutiny.

5. KEY IMPACTS/RISKS?

5.1 Non-compliance with these Internal Audit recommendations could expose the Council and its service to various degrees of risk. All recommendations have previously been accepted by management so it is fair to assume that management does not consider that the inherent risk by non-implementation is acceptable.

6. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

6.1 Relevant Heads of Service will ensure that recommendations are implemented by the revised deadlines and report, as necessary to respect Portfolio Holders if there is to be further delay.

7. LINK TO THE CORPORATE PLAN

- 7.1 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.

8. CONSULTATION

- 8.1 No consultation has taken place.

9. LEGAL IMPLICATIONS

- 9.1 No direct legal implications arise out of this report.

10. RESOURCE IMPLICATIONS

- 10.1 As recommendations are implemented there may be consequential resources implications. Where such resources are required, appropriate approvals will take place within the Councils governance framework.

11. OTHER IMPLICATIONS

- 11.1 No other implications are expected to arise from this report.

12. REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 To ensure that the concerns raised by CGP in respect of outstanding audit recommendations are brought to the attention of Cabinet and that Cabinet takes appropriate action to ensure that the recommendations are implemented.

13. LIST OF APPENDICES INCLUDED


Appendix 1 – Outstanding Internal Audit recommendations that were presented to CGP, updated actions by the Head of Service and revised implementation deadline.

BACKGROUND PAPERS


Working papers in Resources

CONTACT OFFICERS


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Outstanding Audit Actions as at 30 April 2015 (as reported to CGP, 3rd June 2015) + Head of Services Update

Corporate Team Manager

As reported to Corporate Governance Panel, 3 rd June 2015				Head of Service Update for Cabinet: 17 th September 2015	
Audit	Original Audit Findings & Assessed Risk	Agreed Action	Due Date & Implementation Position at Due Date	Comment & Proposed Action	Revised Implementation Deadline
Staff Training & Development 2014/15	<p>Red</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 & 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</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.	<p><u>March 2015</u></p> <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</p>	<p>Fully Implemented</p> <p>The Appraisals process completed by the 31st July 2015.</p> <p>This will enable training needs / plans per Service to be completed and used to robustly discuss with LGSS and to determine the changes to the programme that they offer that they should make. Further, this will help to determine what training will be scheduled to deliver outside of the contract from other providers.</p> <p>The regular contract monitoring reports received from LGSS have been amended to enable the training provision aspect of the contract to be more clearly managed. This is reported to Employment Panel.</p>	August 2015

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	<p><i>the needs of staff and the authority 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>		500 training places. It is expected that this will also lead to a reduction in off-contract spend.		
National and Local Indicators 2009/10	<p>Amber</p> <p>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</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</p>	<p><u>March 2014</u></p> <p>Partially introduced.</p> <p>Templates have been issued and 50% have been completed.</p>	<p>Partially Implemented (at time of report drafting)</p> <p>All templates for 2014/15 have been completed as at 30 June, except for 3 in Operations which are partially complete.</p>	August 2015

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	<i>lack of accountability in place.</i>	officer responsible for compiling and checking the information, the methodology used, the reporting timescales and associated measures and targets.			
Payments in Lieu 2011/12	Amber 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.	LGSS will review our current procedures for the payment of overtime with a view to standardising practice.	<u>March 2015</u> Outstanding. This will be included in our Pay Policy and Flexible Working Policy scheduled for review during 2015/16.	Not implemented (at time of report drafting) As per the contract, the times are currently being agreed for policy updates for 2015/16 with LGSS and / or the use of consultancy days to enable this to be completed.	September 2015

Head of Service: Resources

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Audit	Original Audit Findings & Assessed Risk	Agreed Action	Due Date & Implementation Position at Due Date	Comment & Proposed Action	Revised Implementation Deadline
Loans and Investments 2014/15	<p>Red</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. 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.	<p><u>April 2015</u></p> <p>Outstanding.</p>	Fully implemented	June 2015
VAT 2013/14	<p>Amber</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.	<p><u>March 2014</u></p> <p>Partially introduced.</p> <p>Processes have been reviewed and training is being looked into to achieve compliance.</p>	<p>Fully Implemented</p> <p>The VAT code is adopted and compliant.</p> <p>Not implemented</p> <p>A training programme is currently be developed with</p>	October 2015

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				the Councils VAT Advisor in respect of Capital development so VAT is considered as a key variable in the capital programme decision making process.	
Repairs and Maintenance of HDC property and equipment 2013/14	<p>Amber 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.	<p><u>March 2015</u> Outstanding.</p>	<p>Not implemented</p> <p>Commercial Estate – all associated assets are assigned to the Head of Resources.</p> <p>Operational Estate – these assets primarily fall within the remit of Facilities Management within Operational Services.</p> <p>There is currently a review underway of all property to ensure that the asset register + gazetteer are complimentary. Where there are assets not assigned, these are being duly assigned. Once this review is completed, all assets will be duly assigned.</p> <p>Repairs and maintenance is undertaken on a reactive basis.</p>	October 2015

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Commercial Rents and Estates Management 2013/14	<p>Amber</p> <p>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>	<p>The commercial estates module in the Uniform system will be investigated & assessed for 'fit for purpose'.</p>	<p><u>February 2015</u></p> <p>Partially introduced.</p> <p>System still being considered in view of a number of upgrades.</p>	<p>Fully Implemented</p> <p>Uniform has been assessed and while there are difficulties with use and it is not an ideal professional property database, the estates module does provide a sufficient range of tools to replace the current spreadsheet.</p>	June 2015
		<p>If the Uniform system is deemed 'fit for purpose', the system will be implemented as a replacement for the estates spreadsheet.</p>	<p><u>January 2015</u></p> <p>Partially introduced.</p>	<p>Not implemented (at time of report drafting)</p> <p>As noted above, the Uniform system is considered a fair database, options are being reviewed to ensure an effective transfer of data</p>	September 2015
Commercial Rents and Estates Management 2013/14	<p>Amber</p> <p>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>Prioritise maintenance and repair work to ensure that commercial properties are maintained to the required</p>	<p><u>March 2015</u></p> <p>Outstanding.</p>	<p>Fully Implemented</p> <p>The Councils resource base now means that maintenance will be reactive and the new capital approval process is in place.</p>	July 2015

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	<i>The condition of the property portfolio may decline leading to reduced occupation and increased repair costs</i>	standards to achieve the optimum rent and maintain tenant satisfaction.		<p>In terms of outstanding work:</p> <p>Phoenix Court is a priority - The capital project has been approved via the new Capital Programme Methodology and the required works will be subject to tender during Autumn 2015. This will be completed in February 2016.</p> <p>For Clifton Road & Levellers – This capital works is currently being determined and will be subject to a future bid to be included in the 2016/17 Capital Programme. This will be completed in August 2017.</p>	
Main Accounting System – Continuous Auditing 2013/14	Amber 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	All bank accounts for the period ending 30 June, will be fully reconciled and approved by the 31 July 2014	<u>July 2014</u> Partially introduced.	Not implemented From an overarching perspective, the Councils cash reconciliation is fully reconciled i.e. bank statements to general ledger (as confirmed by the external audit of the 2013/14). The issue is the reconciliation between individual systems that the Council operates. We are currently fundamentally reviewing the detailed cash	March 2016.

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	summary spreadsheet has not been completed. The Paymaster and the Loans and Investment reconciliations have not yet been signed off by Accountancy.			reconciliation process and are expecting that in due course the Council will be required to procure a new cash module/interface that will allow more effective cash processing.	

Head of Service: Leisure and Health

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One Leisure Impressions 2013/14	Red 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. <i>Reduced use and reputation of facilities as a result of poor corporate management</i>	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	<u>September 2014</u> Partially introduced. Recruitment process is underway and once complete work will begin on reviewing the impressions structure and operations.	Partially Implemented The process of reviewing and developing plans etc has started and will be completed by the revised implementation deadline.	September 2015

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		cross – facility level. Meeting schedules will be agreed to ensure that issues are discussed and communicated.			
One Leisure Impressions 2013/14	<p>Amber 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>	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><u>March 2015</u></p> <p>Partially introduced.</p> <p>Recruitment process is underway and once complete work will begin on reviewing the impressions structure and operations.</p>	<p>Partially Implemented</p> <p>Policies and Operating Procedures are currently being reviewed and will be completed by the revised implementation deadline.</p>	September 2015
One Leisure Impressions 2013/14	<p>Amber 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>	PARQ forms will be completed and signed by all members. Staff will be reminded of the	<p><u>March 2015</u></p> <p>Partially introduced.</p> <p>Recruitment process is underway and once</p>	<p>Partially Implemented</p> <p>There has been communication with all One Leisure Impressions staff and this will be finally implemented</p>	September 2015

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	<p>In a small number of cases the Wellness system had not been updated with information from the 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>need to update the Wellness system with all information 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>complete work will begin on reviewing the impressions structure and operations.</p>	<p>revised implementation deadline (subject to the recruitment of the Gym Manager).</p>	