Nottinghamshire County Council

REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT & IMPROVEMENT

FOLLOW-UP OF INTERNAL AUDIT RECOMMENDATIONS

Purpose of the Report

1. To report progress with the implementation of agreed management actions to address Internal Audit recommendations.

2. With regard to the actions around Interim Homecare, Caroline Baria (Service Director, Strategic Commissioning, Access & Safeguarding) and Michael Fowler (Category Manager, Corporate Procurement) to give a verbal update on actions agreed by management.

Information and Advice

3. Internal Audit carries out regular follow-up work to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations are being taken. This assurance is obtained in two phases, as set out below:

Priority rating of recommendation	Management assurance	Internal Audit assurance
High	Assurance is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to high priority recommendations are carried out consistently.
Medium		Compliance testing is scheduled for selected medium priority actions
Low		No Internal Audit compliance testing is carried out
Value For Money (VFM)		Compliance testing may be scheduled for the more significant VFM recommendations

4. During each quarter, Internal Audit carries out the following work to provide an update on progress:
   - For recommendations agreed in audit reports issued since the date of the previous meeting, seeking assurance from management that agreed actions have been taken in accordance with the proposed timescales

- For actions previously confirmed to have been taken by management, carrying out compliance testing to confirm satisfactory implementation.

Update position with 2015/16 actions

5. The follow-up process has now matured sufficiently that it is possible to report separately on the agreed actions from distinct financial years. The revised process was implemented by going back to all audit reports issued from April 2015, and the final position with 2015/16 actions is summarised below.
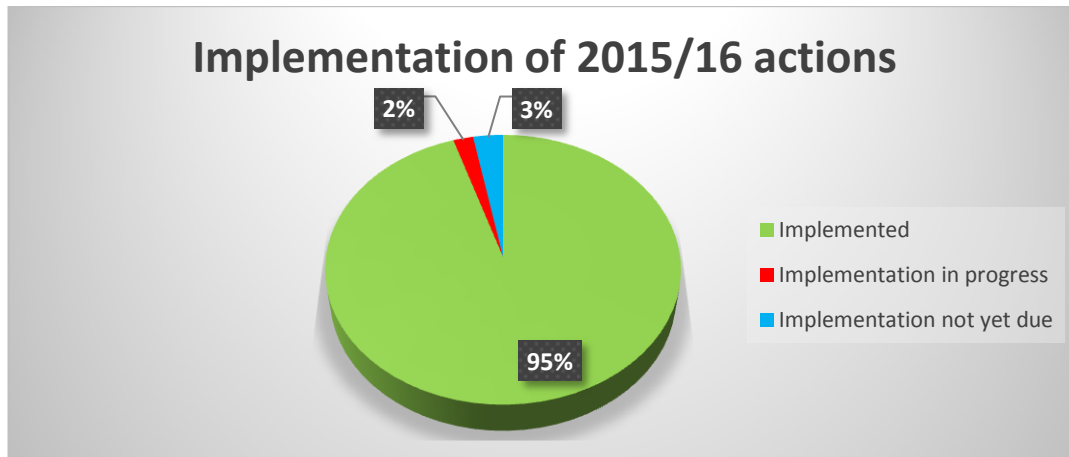

6. This presents a highly positive implementation rate and provides good evidence that Internal Audit's work is contributing well to the control, risk and governance framework of the Council. Within the above figures, all high priority actions have been implemented. The outstanding issues concern the following:

- In progress -two medium priority actions concerning compliance with the payment card industry standards

- Not yet due – one action to be implemented with the next revision of the ICT strategic plan and two to be put in place with the implementation of Mosaic, the timescale for which has been rescheduled

7. With regard to 2016/17 actions, the current position is summarised in the following paragraphs.

High Priority Actions

8. **Appendix 1** sets out the updated position with the high priority actions that have still to be cleared through the follow-up process. This sets out details of the agreed management actions, the management assurances received and the outcome of Internal Audit's follow-up testing to date. The appendix also indicates the proposed timing for follow-up testing by Internal Audit in future quarters. The current status of the high priority actions is summarised in the following chart:
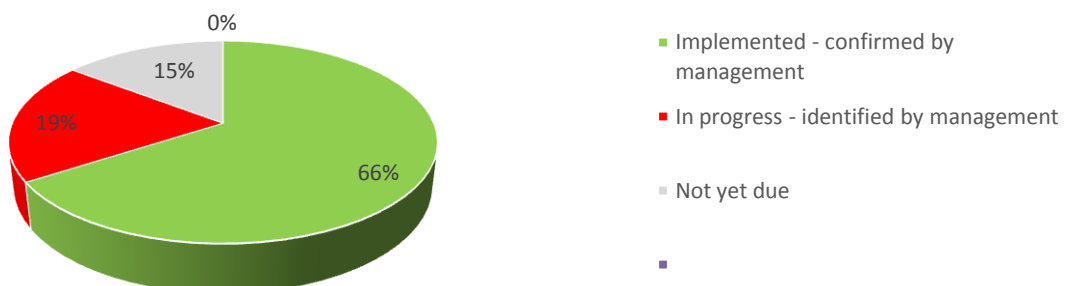
Status of High Priotiy Actions 2016/17
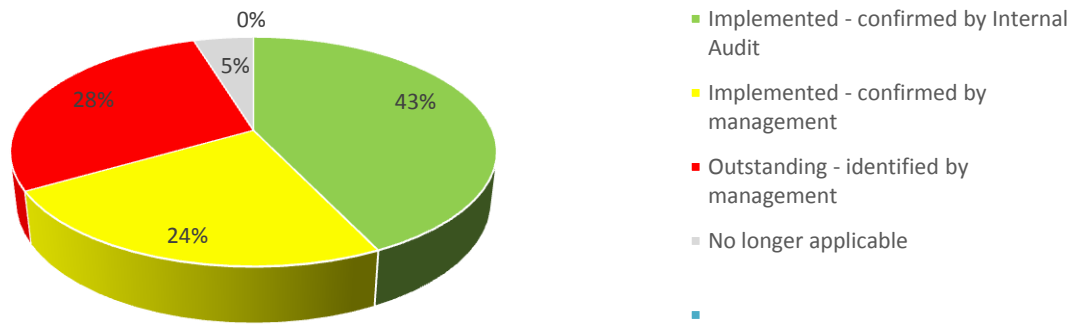
9. Follow-up testing and management assurances since the previous update in March 2017 have focused on the following:
   a) ASCHPP Dept.: Procurement of Interim Homecare Service – management responses provide assurance that the agreed actions have been taken, and senior managers will attend the Committee meeting to provide a verbal update on the progress being made. Internal Audit follow-up testing is scheduled for the 4th quarter of 2017/18, to allow for a reasonable period over which consistent compliance with the revised procedure may be tested.
   b) CFCS Dept.: External Placements - implementation of compliant procurement procedures. Further progress has been made in this area since the previous update in March 2017. Management assurance is now provided that the agreed actions are in place. Internal Audit testing of this area is also scheduled for the 4th quarter.
   c) Place Dept: Catering – compliance tests identified that progress is continuing with the re-introduction of sample checking of suppliers' consolidated invoices, in particular with regard to deliveries to schools.
   d) Cross-cutting: Information Governance – Internal Audit testing confirmed that one action has been dealt with, concerning the vetting checks for system administrator staff.
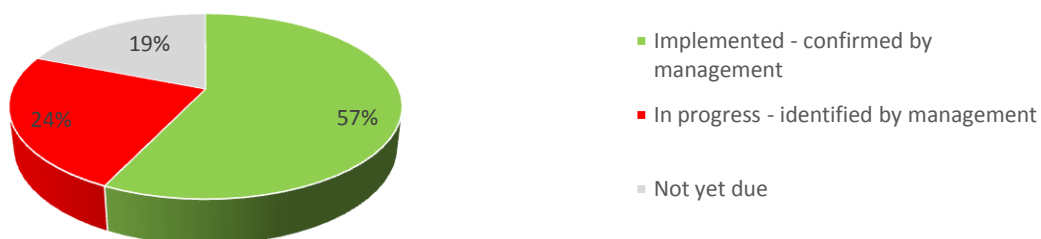
Medium, Low & VFM Priority Actions
10. Progress with implementation of these recommendations is summarised in the following charts.

Status of Medium Priotiy Actions 2016/17

Status of Low & VFM Priotiy Actions 2016/17

- Implemented - confirmed by management
- In progress - identified by management
- Not yet due

57% Implemented - confirmed by management
24% In progress - identified by management
19% Not yet due

11. The position above relates to the assurance updates received from management. Internal Audit's follow-up testing of selected medium priority actions has not identified any on which no progress has been made. This continues to provide a positive level of assurance that improvements to the Council's system of internal control are being made as a result of Internal Audit's work.

Management updates to the Governance & Ethics Committee
12. Arising from the details presented in this report, the Committee may consider that it requires further updates and assurances from management at its next meeting in relation to one or more of the areas in which agreed actions remain outstanding.

Other Options Considered

13. Given the recent approval by the former Audit Committee for the change in procedure for the follow-up of Internal Audit recommendations, no other options for obtaining the required assurances were considered at this time.

Reason/s for Recommendation/s

14. To enable the Governance & Ethics Committee to consider whether it has received sufficient assurance that actions in response to Internal Audit's recommendations are being implemented as agreed, or whether it considers that further and more detailed updates from management are required.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

Many of Internal Audit's recommendations are made with specific financial implications in mind. Such recommendations, and the associated management actions, are designed to secure effective governance, internal control and risk management.

RECOMMENDATION/S

1)   The progress detailed in the report and its appendix are noted.

2)   The progress detailed in the verbal update about Interim Homecare is noted and the Committee determines whether it wishes to receive further and more detailed updates on progress from relevant managers in any of the other areas of activity covered by this report.

Nigel Stevenson
Service Director – Finance, Procurement and improvement

For any enquiries about this report please contact: Rob Disney, Head of Internal Audit

Constitutional Comments [SLB 30/5/17]

16. Governance and Ethics Committee is the appropriate body to consider the content of this report.

Financial Comments [SES 24/5/17]

17. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All