

11 November 2021

Agenda Item: 7

**REPORT OF SERVICE DIRECTOR, FINANCE, INFRASTRUCTURE &
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.

Information

2. 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:

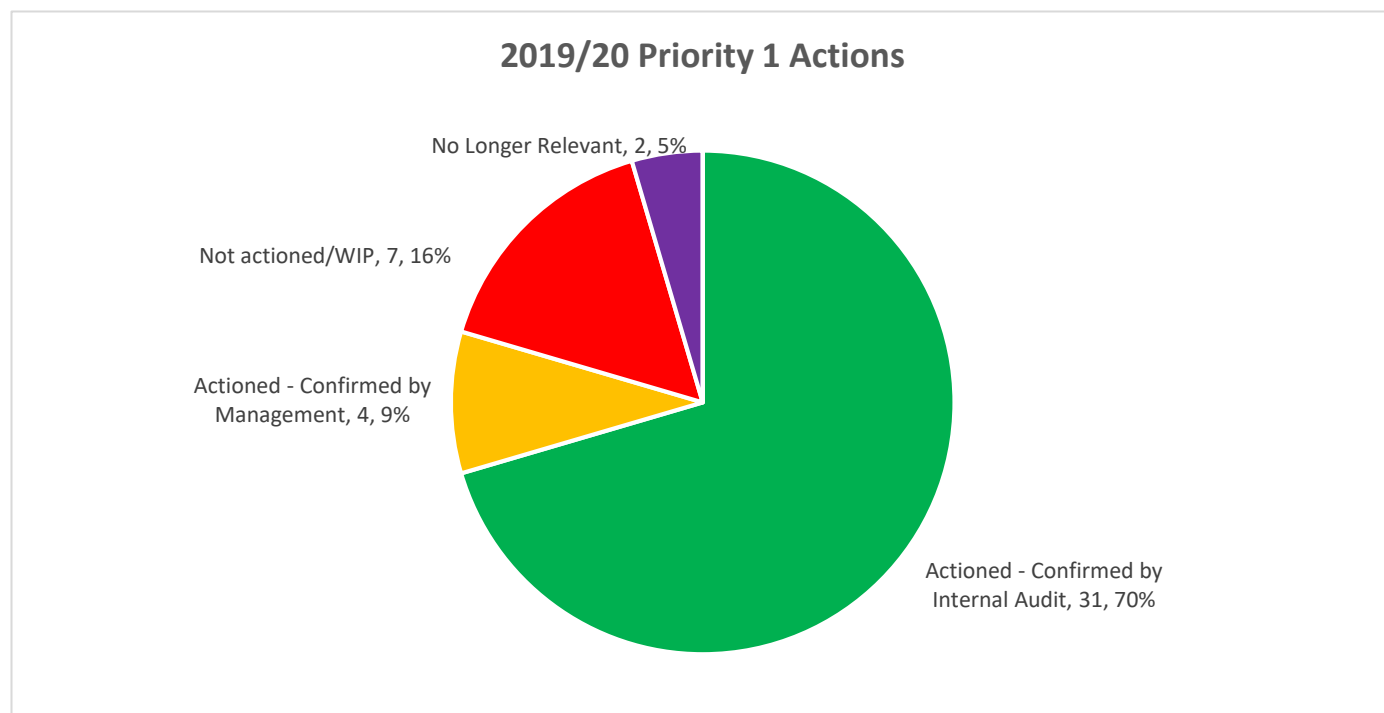
Priority rating of recommendation	Management assurance	Internal Audit assurance
Priority 1	Assurance is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to high priority recommendations are carried out consistently.
Priority 2		Compliance testing is scheduled for selected actions

3. Internal Audit carries out the following work to provide an update on progress on a 6-monthly basis:
 - 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.

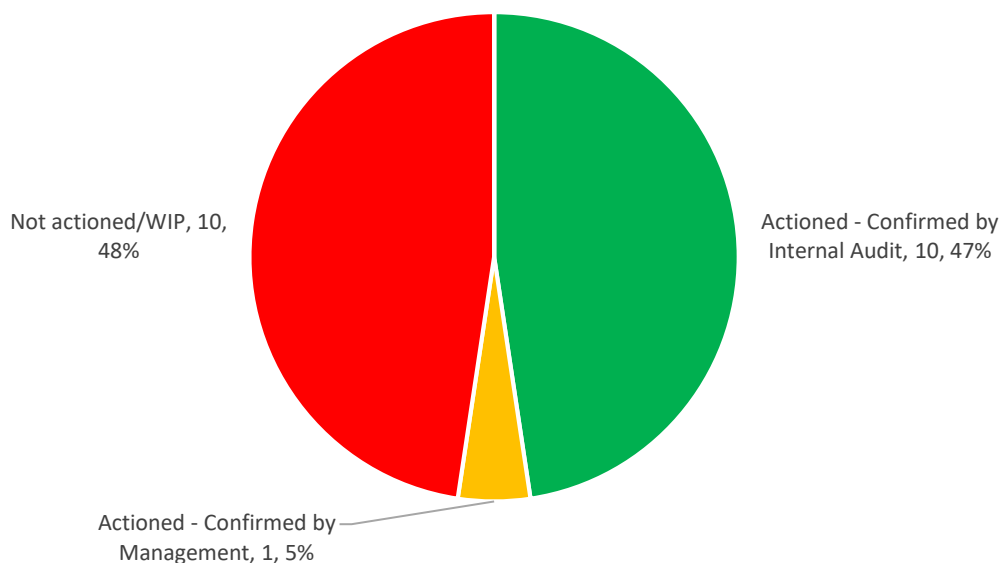
4. The charts in this report present progress with the actions that should now be in place according to the implementation dates proposed by management. Since the commencement of the Covid19 pandemic, the Council has continued to prioritise the delivery of front-line services and refocused service delivery within all departments. This has involved the reprioritisation of services and redeployment of staff, and this has continued to impact on resources available to implement planned actions in some areas.
5. Before the pandemic, progress was being made with the functionality within Internal Audit's automated system to enable action owners across the Council to enter updates directly. However, completion was delayed by the pandemic, when the action owner who was helping us to test the system had other pandemic related priorities. We now plan to refresh and relaunch this functionality and reassess the benefit for the action tracking process.

Priority 1 Actions

6. The current status with the scheduled implementation of Priority 1 actions agreed from audits carried out in 2019/20 and 2020/21 are summarised in the following charts. These present the latest position with actions for which the implementation was agreed.



2020/21 Priority 1 Actions



7. Since the previous update in March 2021, Internal Audit have been actively reviewing progress with the implementation of agreed actions. Our follow-up testing has confirmed satisfactory implementation for the following Priority 1 actions:

Priority 1 Actions – Cleared by Internal Audit following testing	
Audit – Agreed Action	Action Update
Covid 19 – Organisation Planning – Business Continuity	The corporate risk register has been updated on a regular basis
Covid 19 – Organisation Planning – Critical Services	Notification of decisions taken under urgent procedures have been reported to committee
Children & Families Payments Team – Volume of Payments	Additional staff have now been appointed to reduce the volume of payments
Direct Payment Support Services – DPSS Liability	The service specification has been amended to indemnify the Council
Specialist Education Provision – Commissioning – Contract Monitoring	Contracts are now generated and maintained within Mosaic
Trading Standards – Enforcement & Sanctions – Vetting Checks	All staff have been vetted in accordance with policies and guidance

8. Our action tracking work has also identified that management have provided assurance that following actions have been implemented, and Internal Audit will now schedule its subsequent compliance testing:

Priority 1 Actions – Management Assurance – Internal Audit to schedule testing	
Audit – Agreed Action	Action Assurance Update
Health & Safety – Emergency Response Provision	New arrangements for emergency response provision have been communicated to all staff
Direct Payment Support Services – Contract Monitoring	The contract has been issued which included the required KPI's
Procurement of OH Equipment – Contractual Agreements	The contract management toolkit and procurement spend dashboard have been implemented
Council Wide Budget Forecasting – Forecast variations	Forecast validation is implemented with comments included in forecasts
Pensions Administration – Reconciliation of payments	Reconciliations are routinely completed
School & Pupil Placed Planning – Use of forecasting model for demand	The forecasting tool is in operation
School & Pupil Placed Planning – Review of expansion business cases	Business cases are reviewed for accuracy and completeness
Transport & Travel Services – authorisation of de-minimis payments	The process for completion has been agreed with procurement
Care Home Fees – recording reduced rates for banded homes	Discounted rates are now captured within Mosaic.

9. Finally, our work identifies the updated position with Priority 1 actions where implementation is overdue. These are set out in **Appendix 1**, which is ordered chronologically by the year of audit when the issues were first raised supported by a high-level departmental analysis in the following table.

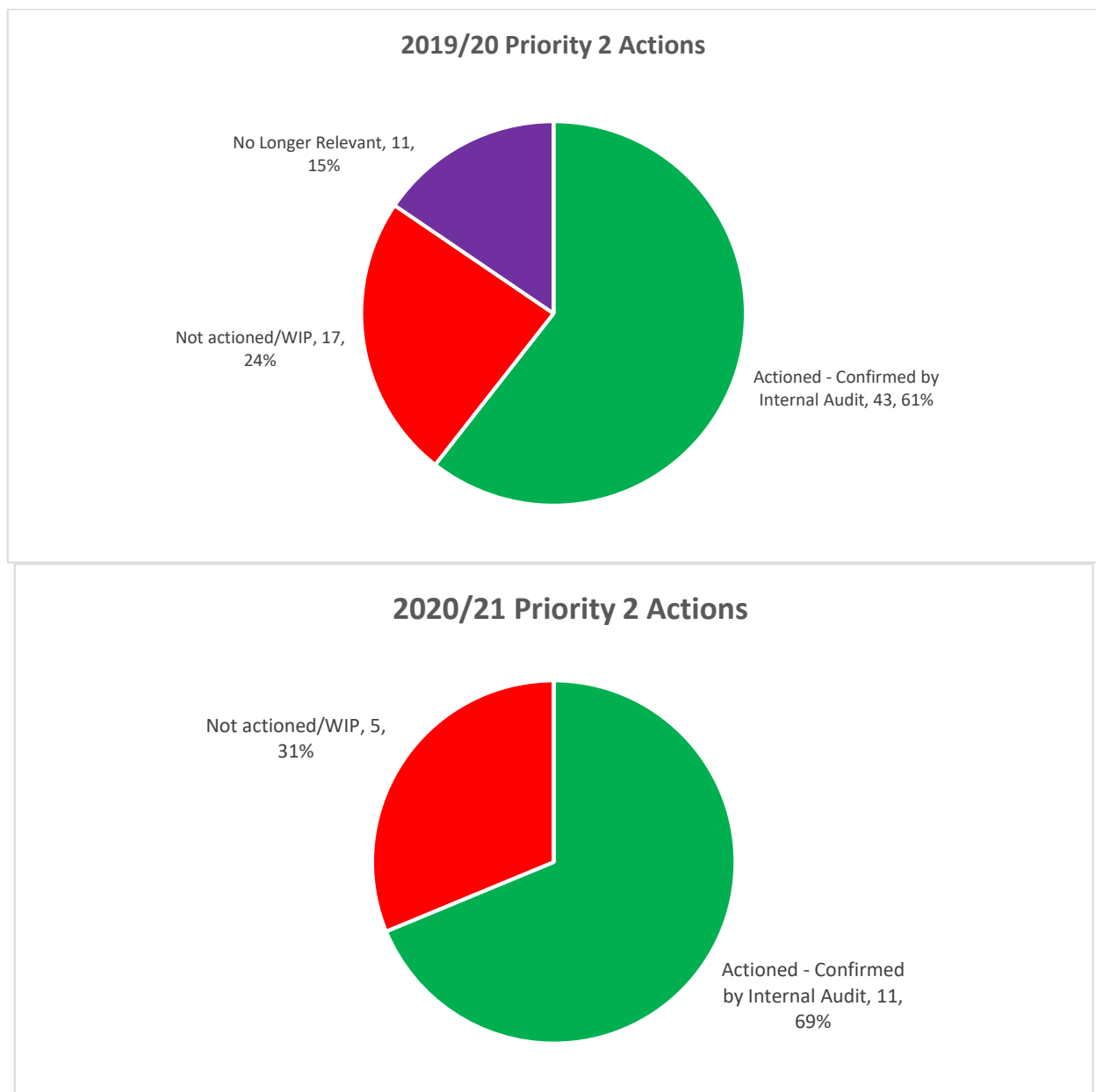
Audit Year	Overdue Actions	Departmental Analysis
2018/19	9	ASCH – 1 Chief Executives – 3 Cross Cutting – 5
2019/20	5	ASCH – 4 Cross Cutting – 1
2020/21	10	Chief Executives – 2 Cross Cutting – 8
	24	

10. A significant area due for follow-up testing concerns the actions relating to the management of vacant property. Management have previously provided assurance that actions have been implemented to address the issues raised in the report, but this has also highlighted the significant change in the operating context for the service that has been put in place to address wider improvement objectives. Consequently, we have agreed with management in this area of service that a fresh audit of vacant property management would now be more appropriate, rather than focussing on the specific actions raised in the previous audit which were made in the context of the previous service set-up. This audit is part of the proposed Internal Audit Plan for Term 3, tabled separately on today's agenda.

Priority 2 Actions

11. Similarly, with the Priority 1 actions previous reports moved on to focus on actions agreed for 2019/20 and 2020/21 which continues in this report with 2021/22 actions featuring in subsequent reports.

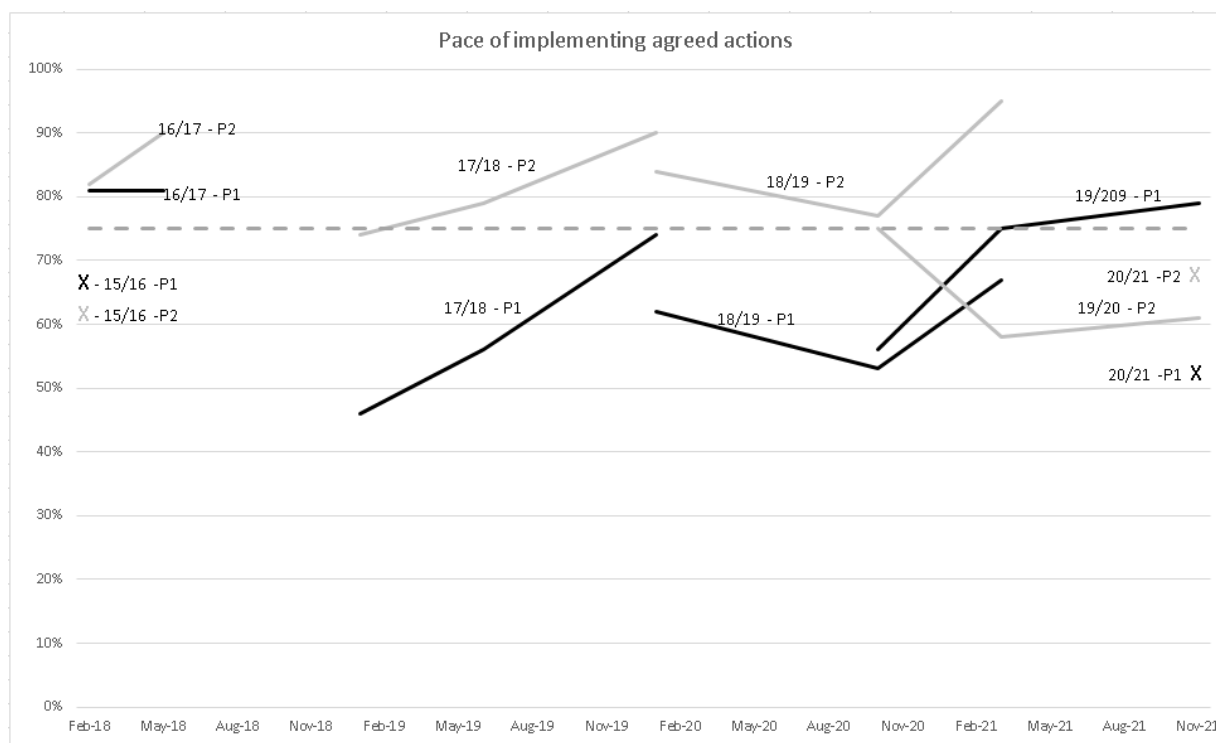
12. Progress with implementation of the 2019/20 and 2020/21 Priority 2 actions are summarised in the following charts:



13. The position above for Priority 2 actions relates primarily to the assurance updates received from management. This provides positive assurance that improvements to the Council's system of internal control are being made, but the pace of implementation has been impacted by the pandemic, as highlighted below.

Pace of implementation

14. As noted above in paragraph 4, this report sets out progress with the actions that should now be in place according to the implementation dates proposed by management. In essence, therefore, this report is identifying the pace with which the agreed actions are being implemented. For each financial year, a key performance indicator has been agreed for 75% of agreed Priority 1 and Priority 2 actions to be implemented on schedule. The following chart tracks the pace with which actions have been implemented since action tracking began in 2017/18. The darker lines show Priority 1 actions for each year of audit, while the lighter lines show Priority 2 actions. The dashed line represents the 75% target.



15. The chart identifies that the pace of implementation of Priority 1 actions has seen some improvement in recent years, although the starting point for 2020.21 actions has fallen back. By contrast, the pace of implementing Priority 2 actions is seeing a recent decline.

Management updates to the Governance & Ethics Committee

16. The continued drive and support from the Committee will be key in securing improved implementation rates going forward. 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

17. No other options for obtaining the required assurances were considered at this time.

Reason for Recommendation

18. 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

19. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

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

1) The progress detailed in the report and its appendix are considered, and the Committee determines whether it wishes to receive further and more detailed updates on progress from relevant managers in any of the areas of activity covered by this report.

Nigel Stevenson

Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Rob Disney, Group Manager – Assurance

Constitutional Comments (KK 19/10/2021)

The proposals in this report are within the remit of the Governance & Ethics Committee.

Financial Comments (RWK20/10/2021)

There are no specific financial implications arising directly from the 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