

09 June 2022

Agenda Item: 10

**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 follow-up work every six months, as follows:

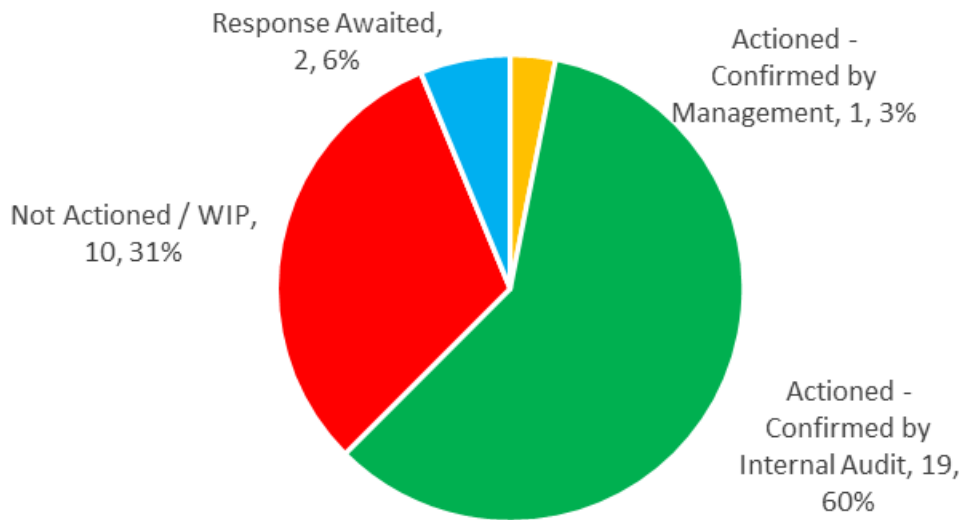
Priority rating of recommendation	Management assurance	Internal Audit assurance
Priority 1	Updates sought from action owners about implementation	Testing to confirm management assurances about implementation
Priority 2		Sense-checking of updates, but no testing required

3. The charts, tables and text in this report, and its appendix, describe the progress made by action owners in implementation, and the outcomes of testing for Priority 1 actions.

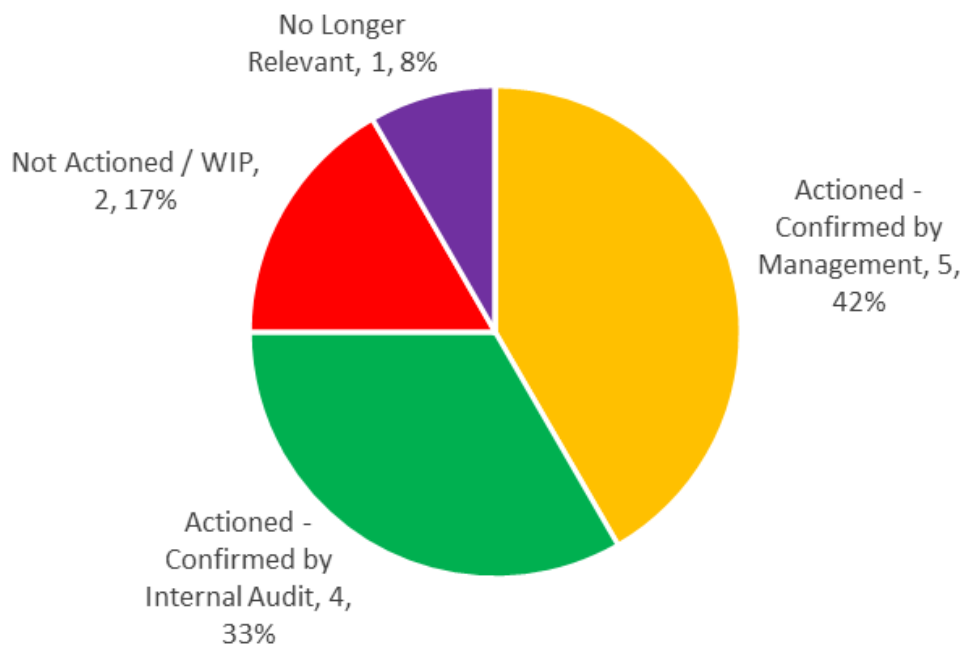
***Priority 1 Actions***

4. The degree of progress made with implementing and testing the more recent Priority 1 actions are summarised in the pie charts below, which cover the latest two financial years:

### 2020/21 Priority 1 Actions



### 2021/22 Priority 1 Actions



5. Taken together, the green and amber segments of the pie charts confirm that the majority of Priority 1 recommendations from both years have been actioned. The amber segments show that Internal Audit has yet to test a proportion of these, where actions have been finalised only recently, although we have also successfully tested a number of confirmed actions, as shown in the table below. Action owners have commented many times that the pandemic has been the key factor in delaying implementation, including older actions, evidence of which is shown by the red segments.

6. Our testing has confirmed satisfactory implementation for the following Priority 1 actions, many of which pre-date the start of the pandemic:

<b>Priority 1 Actions – Cleared by Internal Audit following recent testing</b>	
<b>Audit – Agreed Action</b>	<b>Cleared following enquiry and testing</b>
<b>Pre-2020/21</b>	
<b>Payroll</b> – schools overtime entered, approved, and paid to same person	Reports are run to identify cases. Workshops are being held with schools, which address this issue.
<b>Pensions administration</b> – non-recurring payments e.g., lump sums	Single integrated database implemented, allowing internal reconciliation of non-recurring payments.
<b>Health and safety</b> – emergency response provision	New arrangements for emergency response provision communicated to all staff.
<b>Direct payment support services</b> – contract monitoring	New contracts now issued with required key performance indicators (KPI's), and performance monitoring now taking place.
<b>School expansion and place planning</b> – forecasting model	New and improved forecasting tool now in operation.
<b>School expansion and place planning</b> – business cases	Business cases have greater consistency and are reviewed for accuracy and completeness.
<b>Budget forecasting</b> – training	More training in budget monitoring and forecasting now undertaken by Finance teams, as required.
<b>Budget forecasting</b> – validation	Failure to complete monthly forecasts now highlighted in budget monitoring reports. Recent reports indicate full compliance.
<b>Care home fees</b> – recording reduced rates for banded homes	Reductions and discounts can now be captured separately and uniquely within Mosaic (rather than adjusting other fields).
<b>Occupational health equipment</b> – contractual agreements	Contract management toolkit and procurement spend dashboard implemented. Annual spend reports issued to senior leadership.
<b>Continuing healthcare (CHC)</b> – care package review forms	Updated CHC checklist now in Mosaic to guide staff in form completion, and all other agreed actions completed.
<b>2020/21</b>	
<b>Transport and travel services</b> – non-tendered contract awards	Compliant process now agreed with Corporate Procurement, and open procurement achieved for all recent contract replacements.
<b>Section 106 Agreements</b> – eight actions cleared	Eight of nine recommendations have been tested and cleared, related to the planning obligations strategy, the developer database and developer contributions meetings.
<b>2021/22</b>	
<b>Response to Covid-19 (phase 2)</b> – supplier relief	NCC's DELTA16 returns captured all additional COVID-19 cost pressures, including the formerly incurred supplier relief costs.
<b>External placements for Looked After Children (LAC)</b> – off-framework arrangements	Actions continue to be taken that will minimise the need for as many off-framework arrangements (which can be more expensive).
<b>External placements for LAC</b> – budget pressures	Actions continue to be taken to manage the pressures, including improved forecasts. A reduced overspend was incurred in 2021/22.

7. Management has provided assurance that the following actions have been implemented, and so – being Priority 1 recommendations - Internal Audit will schedule future testing:

<b>Priority 1 Actions – Management assurance obtained – Internal Audit to schedule testing</b>	
<b>Audit – Agreed Action</b>	<b>Action Assurance Update</b>
<b>Pre-2020/21</b>	
<b>Health and safety</b> - mandatory training	Campaign to ensure compliance with H&S requirements in relation to fire safety agreed and being rolled out, together with mandatory training from April 2022.

<b>Priority 1 Actions – Management assurance obtained – Internal Audit to schedule testing</b>	
<b>Audit – Agreed Action</b>	<b>Action Assurance Update</b>
<b>Sickness Absence Management</b> - mandatory training	There has been a significant increase in line managers taking mandatory training, with 1,167 completions within three-year refresher cycle, compared with 150 at the time of audit.
<b>2020/21</b>	
<b>Section 106 Agreements</b> – development of commencement notification	Clause requiring developers to notify local planning agreements (LPAs) are in place. Implementation of formalised meetings, post-pandemic, to notify development commencements to be tested.
<b>2021/22</b>	
<b>Response to Covid-19 (phase 2)</b> – data protection impact assessments (DPIA's)	Information Governance Team now fully staffed, which is expected to end backlogs in DPIA's.
<b>Adoption and permanence</b> - annual financial reassessments	Two new staff appointments is expected to end backlogs in financial reassessments
<b>Sale of land and properties</b> - capital receipts budget	Actions to progress properties to sale and achieve capital receipts budget implemented. A separate audit to be scheduled in the plan.
<b>Sale of land and properties</b> - Governance and financial regulations	Actions to improve filing and documentation to evidence key decisions and events implemented. A separate audit to be scheduled in the plan.

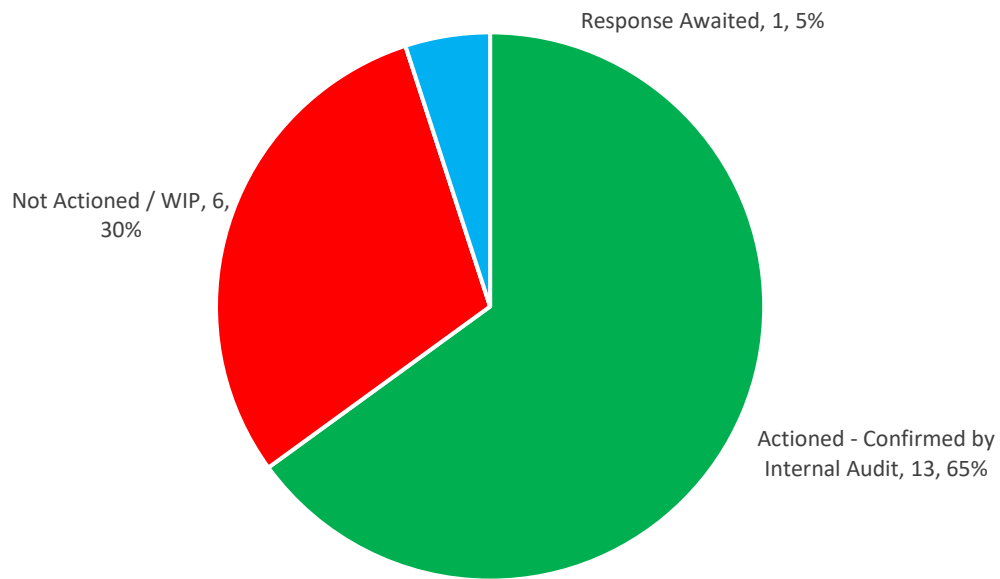
8. However, despite the positive messages above, our work continues to identify Priority 1 actions where implementation is overdue, in some cases long overdue i.e., from before the pandemic. These are set out in **Appendix 1**, and summarised by department, by year, below:

<b>Overdue Priority 1 Actions</b>						
<b>Audit report year</b>	<b>Council</b>	<b>Departmental Analysis</b>				
		<b>ASCPH</b>	<b>C&amp;F</b>	<b>Place</b>	<b>CEx</b>	<b>Cross-cutting</b>
<b>Pre-2020/21</b>	<b>10</b>	3	0	0	1	6
<b>2020/21</b>	<b>10</b>	0	0	0	2	8
<b>2021/22</b>	<b>2</b>	0	1	1	0	0
<b>Total</b>	<b>22</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>14</b>

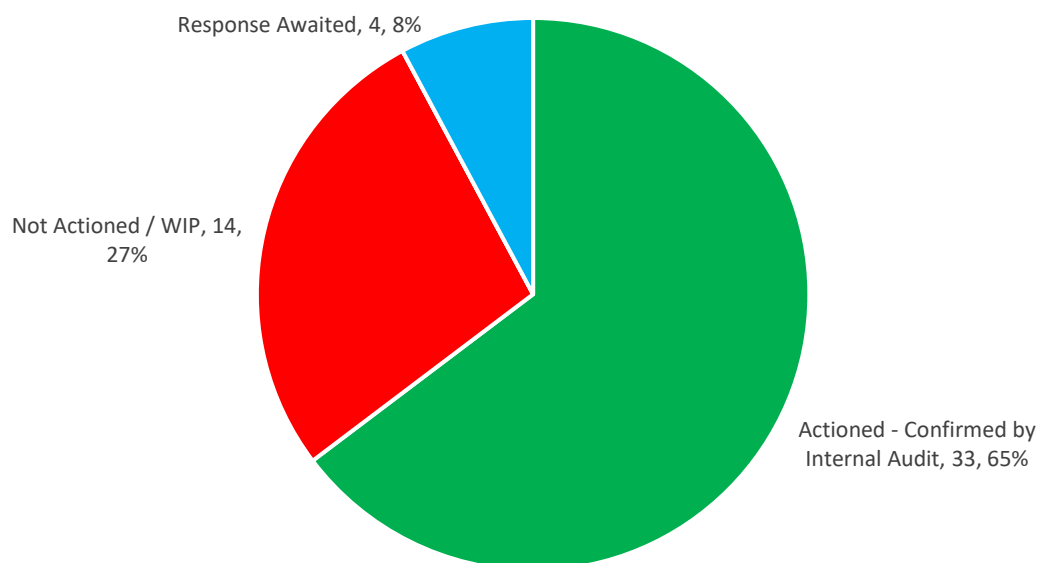
### **Priority 2 Actions**

9. Progress with implementing Priority 2 actions over the last two financial years is summarised in the following pie-charts:

### 2020/21 Priority 2 Actions



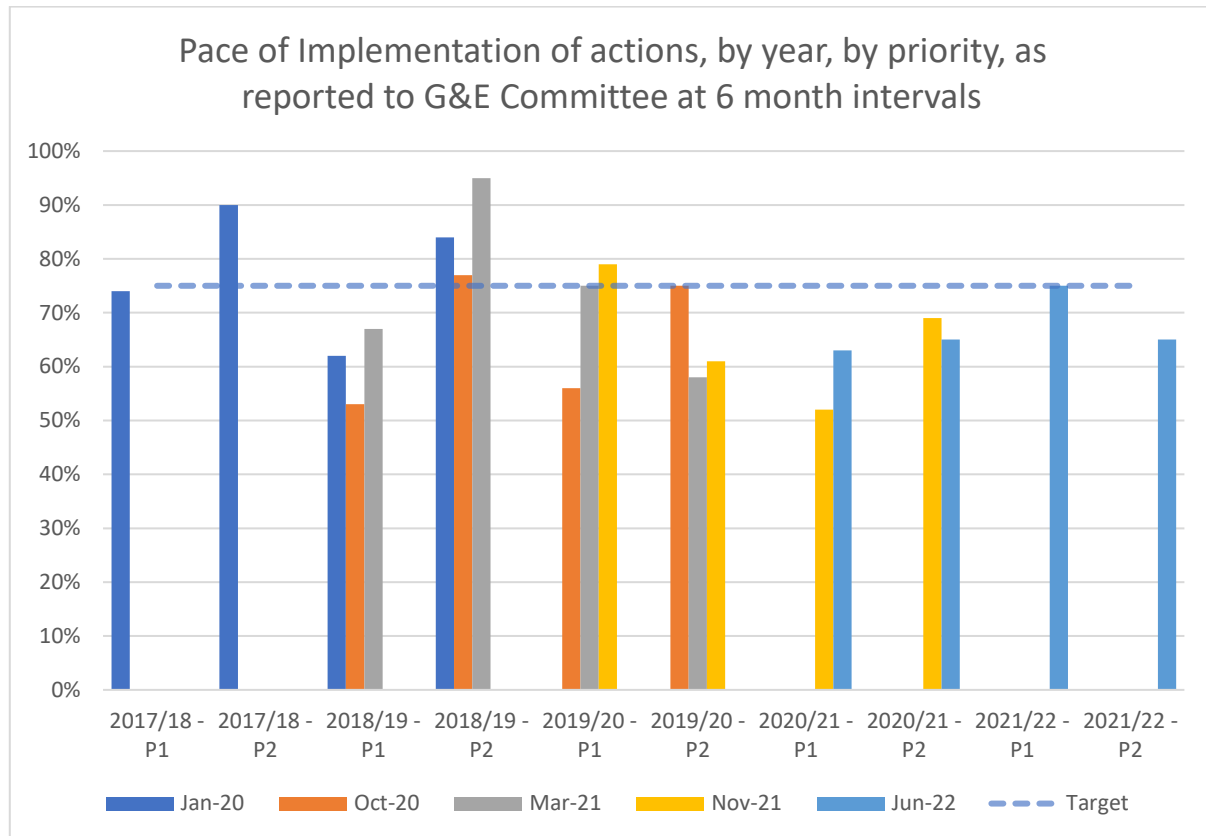
### 2021/22 Priority 2 Actions



10. The green segments confirm that the majority of Priority 2 recommendations from both financial years have been actioned. The red segments indicate there is more to do, again, partly affected by the pandemic.

### ***Pace of implementation***

11. 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 2017/18, as reported to successive G&E Committees since January 2020, just before the outbreak of the pandemic:



12. Although trends are not obvious, successive reports to Committee from January 2020 to November 2021 indicated that the pace of implementation slowed. For example, the January 2020 data was closer to or exceeded the 75% target more than the subsequent data. However, there are now signs of improvement, especially in the implementation of priority 1 actions, which achieved the 75% target for 2021/22. Throughout, Internal Audit has sustained its requests for management updates, but is now starting to confirm, test, and clear the implementation of more agreed actions than before.

### ***Management updates to the Governance & Ethics Committee***

13. 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**

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

## **Reason for Recommendation**

15. 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**

16. 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) That the Committee note the contents of the reports and the progress that has been made against the Internal Audit recommendations.
- 2) That a further progress report and an update on those actions outstanding be included in the next 6-monthly review.

**Nigel Stevenson**

**Service Director – Finance, Infrastructure and Improvement**

**For any enquiries about this report please contact: Simon Lacey, Interim Chief Internal Auditor**

### **Constitutional Comments (CEH 11/05/2022)**

The report and recommendation fall within the remit of Governance and Ethics Committee for consideration.

### **Financial Comments (SES 11/05/2022)**

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