

2 May 2018

Agenda Item: 7

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.

Information

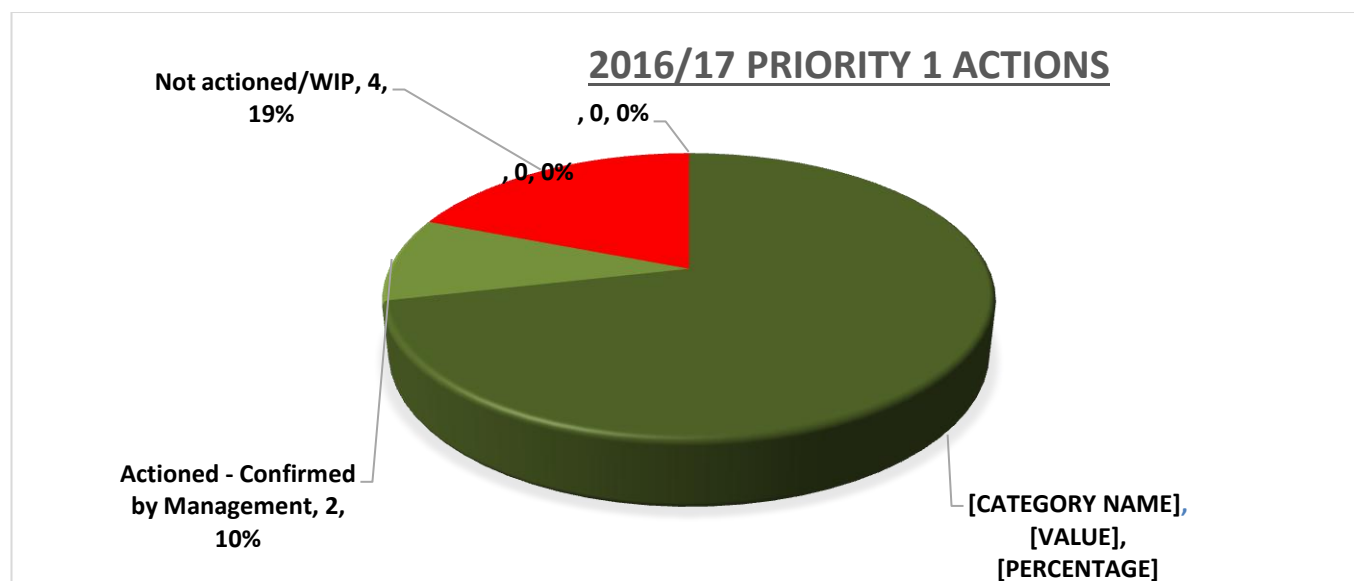
2. Internal Audit carries out regular follow-up work to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations are being taken. This assurance is obtained in two phases, as set out below:

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 medium priority actions

3. 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.

Priority 1 Actions

4. **Appendix 1** sets out the updated position with the Priority 1 actions that are being 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. It has been updated since the previous update to Committee as follows:
- Actions confirmed as implemented by Internal Audit have been removed
 - New actions agreed in recently issued reports have been added.
5. The final status of the Priority 1 actions from 2016/17 audits is summarised in the following chart:

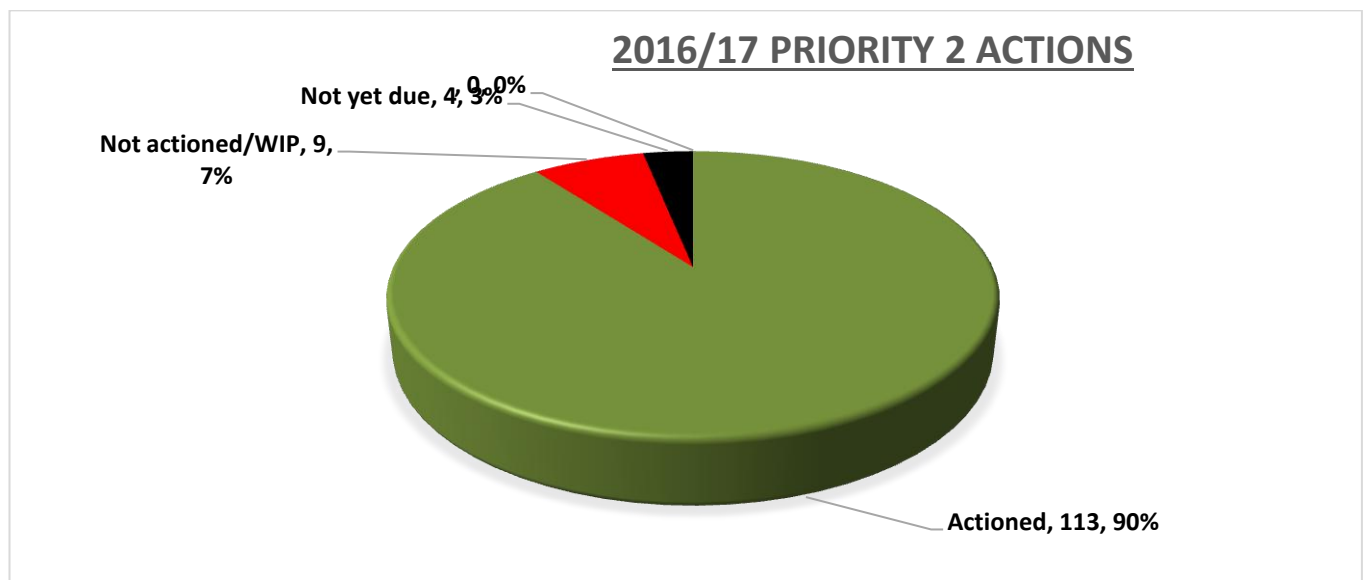


6. Follow-up testing by Internal Audit since the previous update in February 2018 was planned for the following:
- Adults, Social Care & Health (ASCH) Dept: Procurement of Interim Homecare – the follow-up work was completed and found that good progress has been made. The Contracts and Payments Overview Group is meeting monthly and is tackling the residual use of spot providers through a re-tendering exercise. Further follow-up testing will be carried out by Internal Audit to provide assurance that the planned action is completed.
 - Children & Families (C&F) Dept: External Placements – following the management update to Committee on this at the previous Committee meeting in February 2018, it was highlighted that the key action to implement a dynamic purchasing system remained in progress. Consequently, it was agreed that Internal Audit's follow-up testing should be re-scheduled for Autumn 2018, to allow a reasonable period over which the impact of the revised approach can be assessed. An update is scheduled for the 3rd quarter of 2018/19.
7. Priorities for follow-up actions in the next quarter, and for reporting in the next update to Committee, are the following:
- Adults, Social Care & Health (ASCH) Dept: Procurement of Interim Homecare – further follow-up testing, as identified above at 6 a).
 - Adults, Social Care & Health (ASCH) Dept: Short Breaks

- c) Place Dept: Catering – further follow-up testing of the electronic approach to checking consolidated invoices.

Priority 2 Actions

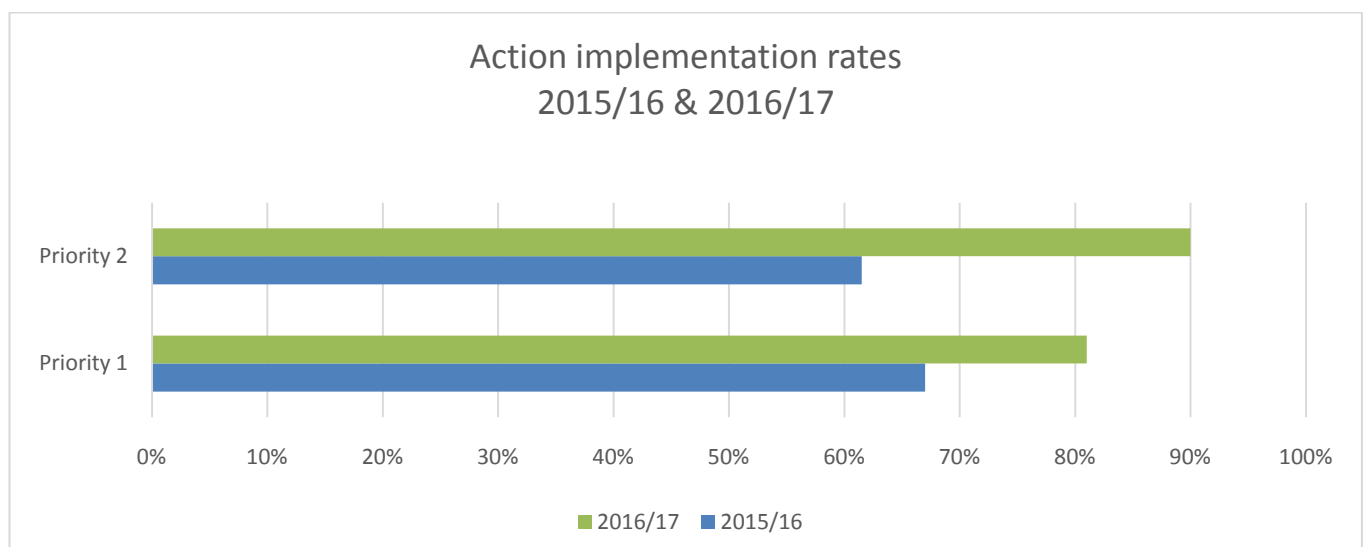
8. Progress with implementation of these recommendations is summarised in the following chart.



9. The position above relates primarily to the assurance updates received from management and 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.

Comparison with the previous financial year

10. Internal Audit's revised approach to following up the implementation of agreed actions has now been in place for two financial years, therefore it is appropriate to compare implementation rates. These are depicted below.



11. It is pleasing to note the improved rate of implementation in 2016/17 compared with the previous year, across both priority categories. This should be seen as strong evidence that the revised approach to the follow-up of Internal Audit's recommendations, with the effective backing of the Governance & Ethics Committee, is delivering tangible improvements in the Council's control framework.

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. 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, 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/S

- 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, Procurement and Improvement

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

Constitutional Comments [SLB 10/04/2018]

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

Financial Comments [SES 09/04/18]

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