

14 June 2023

Agenda Item: 9

**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

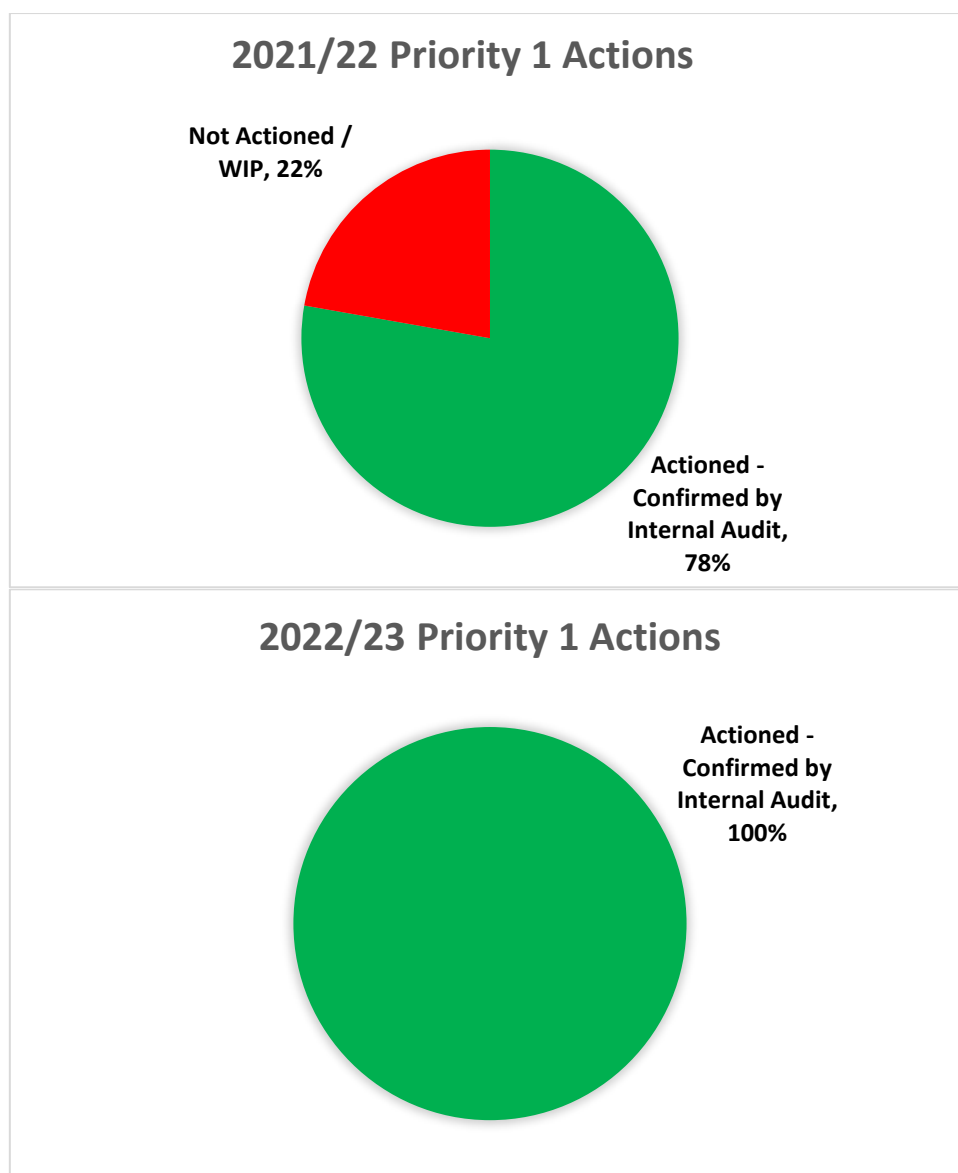
2. Internal Audit carries out follow-up work every six months, as follows:

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:



5. The green segments of the pie charts confirm that the majority of Priority 1 recommendations from both years have been actioned. We have successfully tested these actions and confirmed that they are implemented. Those that have been confirmed in this latest 6-monthly exercise are summarised in the table in paragraph 6 below.
6. Our testing has confirmed satisfactory implementation for the following Priority 1 actions:

Priority 1 Actions – Cleared by Internal Audit following recent testing	
Audit	Cleared following enquiry and testing
Pre-2021/22	
Ethical Framework	An electronic form for staff to declare interests and gifts & hospitality was developed and has been implemented. The new approach was included in a revised Officer Code of Conduct (in the Personnel Handbook) which was approved by the G&E Committee in November 2022, and the Full Council in May 2023.
External Day Care Providers	A tendering exercise for Nottinghamshire Day Opportunities was advertised during January and February 2023. The contracts are expected to be awarded in Summer 2023. The contract

Priority 1 Actions – Cleared by Internal Audit following recent testing	
Audit	Cleared following enquiry and testing
	documentation includes a range of Quality Assurance criteria and Key Performance Indicators, with arrangements for these to be monitored.
2021/22	
Section 106 Agreements	A process has been introduced to ensure that the team is notified, and can monitor, when developments have commenced, and so ensure that section 106 developer contributions are received.
Ethnicity Data	<p>Our audit of Ethnicity Data had an action to develop the use of ethnicity data in service development and commissioning. In an earlier action tracking exercise we had already confirmed that this had been actioned in the Children & Families department. Reports including ethnicity data are now considered business as usual. Ethnic characteristics are available for all cohorts to allow targeted interventions.</p> <p>In the ASC&PH department we have now obtained assurance that all commissioned services ask for ethnicity data to be captured routinely and that this is presented in a way that can be interrogated. We have obtained evidence that for commissioned services the needs of ethnic minorities are included in strategies, priorities within strategies, data to inform the strategies, contractual service specifications, key performance indicators, and data used to monitor the provision of the services.</p> <p>Also corporately, the Strategic Commissioning Toolkit was launched earlier this year, and this prompts commissioners to consider relevant factors including inequalities in the population by group or geography, the mitigation of unintended consequences including by equality impact assessments (EQIAs), and service user feedback which may identify relevant issues</p>
2022/23	
Grow Our Own (Social Worker) Programme	Relevant officers were made aware of the requirement to seek approval of the Section 151 Officer for the write-off of any debt.
Counter-Fraud Learning & Responsiveness - School Fraud	A monthly checklist has been created for schools which includes checks by two persons (usually the School Business Manager and Head Teacher) of overtime, payroll and bank payments. The Spring 2023 School Finance Newsletter included a reminder to schools to raise formal purchase orders. Schools also use an invoice stamp that is initialled to confirm that goods or services were received, the invoice is arithmetically correct, and it is approved for payment.
Counter-Fraud Learning & Responsiveness – Claims for Payment from Care Providers	<p>The Adults department check that all provider claims agree to what has been commissioned and what has been delivered. The team's guidance notes have been revised to clarify the process.</p> <p>The Children's department contract for short breaks now includes a requirement for providers to submit a monthly statement of activity, together with a verification of the activity signed by the parent or carer, to support their claims for payment. These are checked by the Commissioning Team before payment, which also includes a check for duplicate claims.</p>

7. Where management provides assurance that Priority 1 actions have been implemented, Internal Audit tests them before confirming they are implemented (in paragraph 6 above). We have obtained evidence to test all implemented Priority 1 actions.
8. However, despite the positive messages above, our work continues to identify Priority 1 actions where implementation is overdue, including some earlier ones which were delayed by the pandemic. These are set out in **Appendix 1**, and summarised by year, and by department, below:

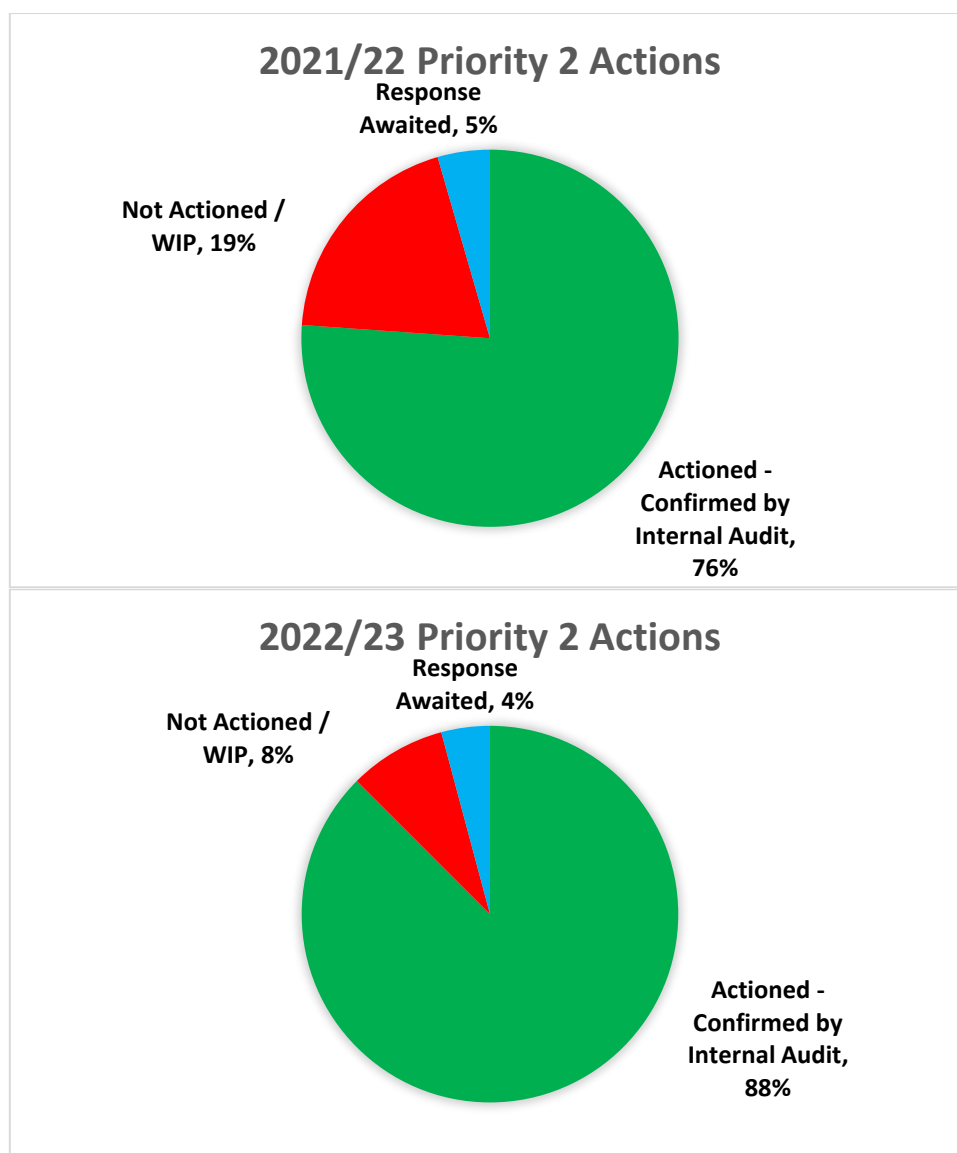
Overdue Priority 1 Actions						
Audit report year	Council total	Departmental Analysis				
		ASCPH	C&F	Place	CEx	Cross-cutting
Pre-2021/22	7	0	0	0	0	7
2021/22	6	0	0	1	5	0
2022/23	0	0	0	0	0	0
Total	13	0	0	1	5	7

Governance of 'Category A' Outside Bodies

9. In the above table the five overdue actions in the Chief Executive's department relate to our report on Governance Arrangements for 'Category A' Outside Bodies. Nine recommendations within that report are now due for implementation based on the original estimated timescales provided by management, which were given subject to the availability of additional resources to carry out this new work. Progress with the implementation of the Priority 1 recommendations is summarised in Appendix A in which reference has been made to limited progress because of those previously identified resource and capacity issues. However, it is acknowledged that implementation of the range of recommendations in the original Internal Audit report has recently been discussed by the Corporate Director of Place, Section 151 Officer and Monitoring Officer who intend to develop an Annual Report to the Governance & Ethics Committee on the governance arrangements and assurance provided by NCC Companies. As part of our Internal Audit tracking process, we will seek to test and ensure that these recommendations are addressed and implemented as part of this Annual Report or through other appropriate measures.

Priority 2 Actions

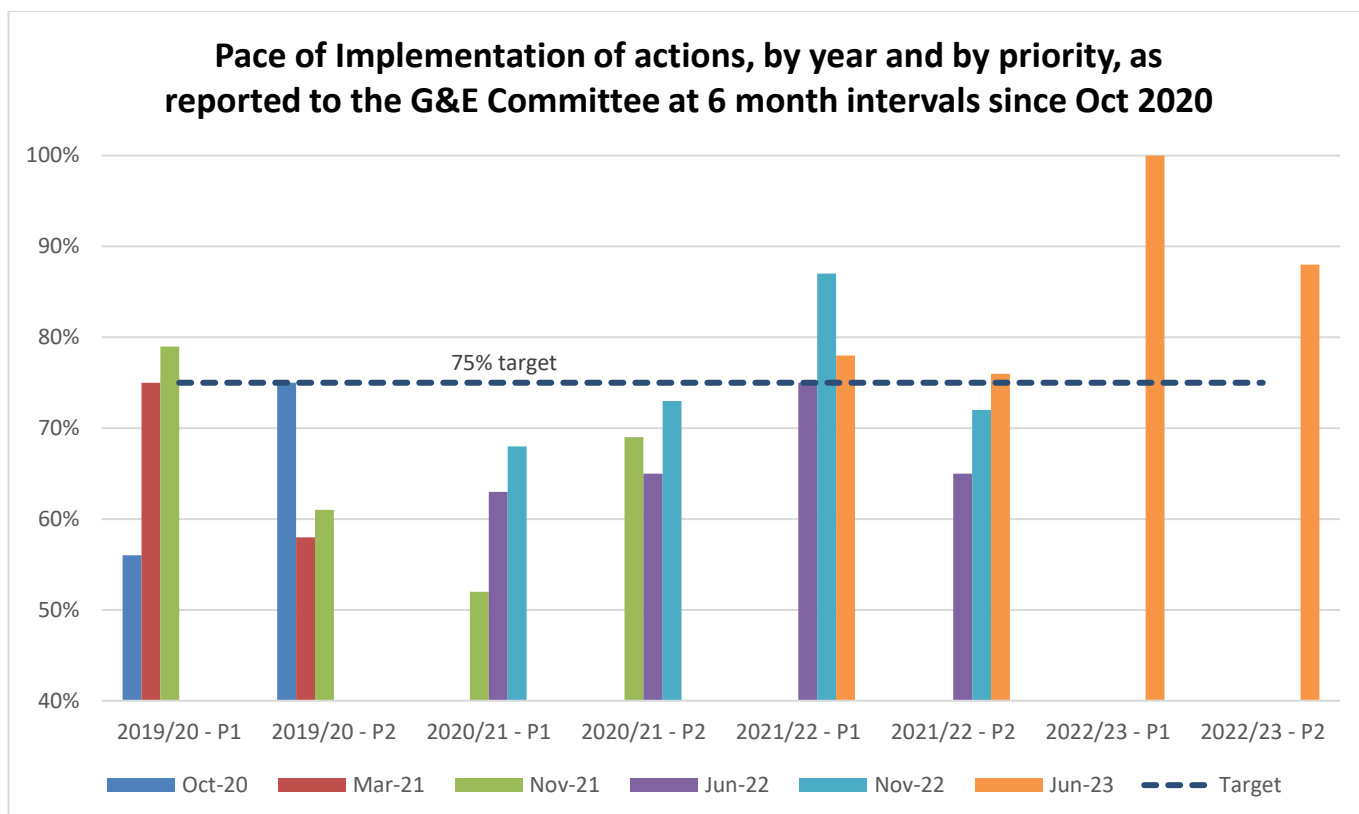
10. Progress with implementing Priority 2 actions over the last two financial years is summarised in the following pie-charts:



11. The green segments confirm that the majority of Priority 2 recommendations from both years have been actioned. The red segments indicate where there remains more to do.

Pace of implementation

12. 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 2019/20, as reported to successive G&E Committees since October 2020, when the implementation of actions began to be impacted by the pandemic:



13. The above chart shows that there was a slowdown in of the pace of implementation of actions during the pandemic, with the lowest figures being 2020/21 actions reported to the November 2021 committee. There has been an improving trend since then, and implementation is now exceeding the 75% target. The overall implementation rate on this latest action tracking exercise was 77% for 2021/22 actions and 94% for 2022/23 actions.

Management updates to the Governance & Ethics Committee

14. The continued drive and support from the Committee is 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

15. The other option considered would be to not bring an update report to the Committee, however this was rejected as it would mean the committee would not have the oversight of progress needed to gain assurance that actions identified were being implemented.

Reason for Recommendation

16. 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

17. 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.
18. 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.

RECOMMENDATIONS

- 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, Chief Internal Auditor

Constitutional Comments (GR 17/05/2023)

19. Pursuant to the Nottinghamshire County Council Constitution this Committee has the delegated authority to receive this report including consideration of the recommendations contained within in.

Financial Comments (SES 17/05/2023)

20. 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