

1 February 2018

Agenda Item: 6

**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

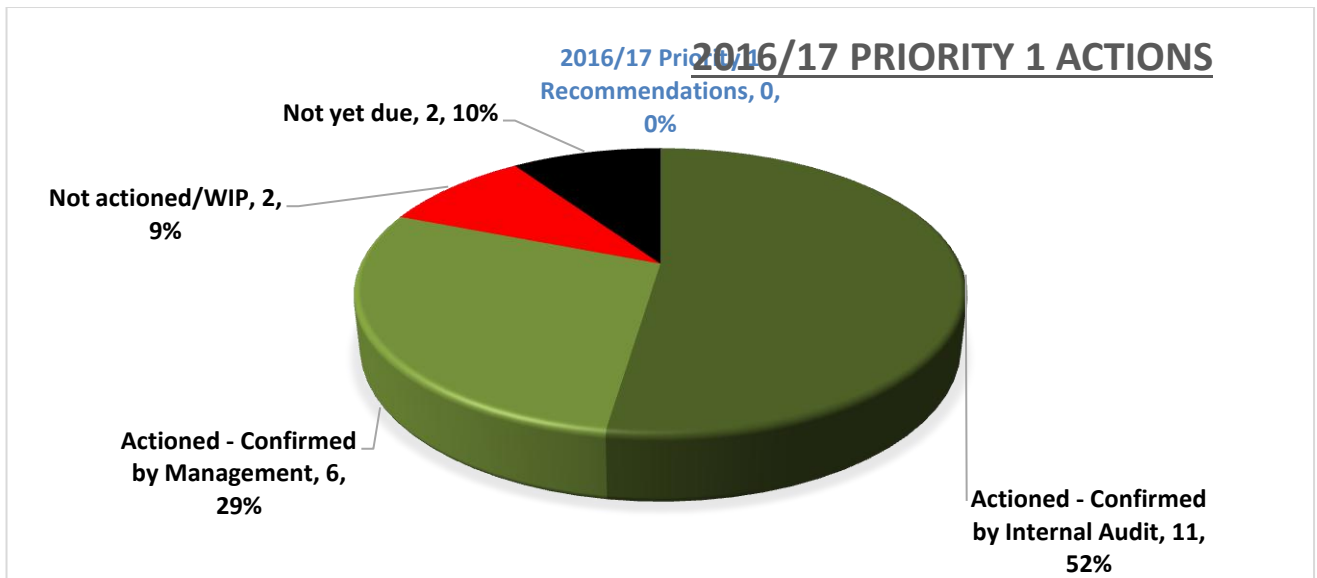
2. Internal Audit carries out regular follow-up work to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations are being taken. This assurance is obtained in two phases, as set out below:

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 current status of the Priority 1 actions from 2016/17 audits is summarised in the following chart:

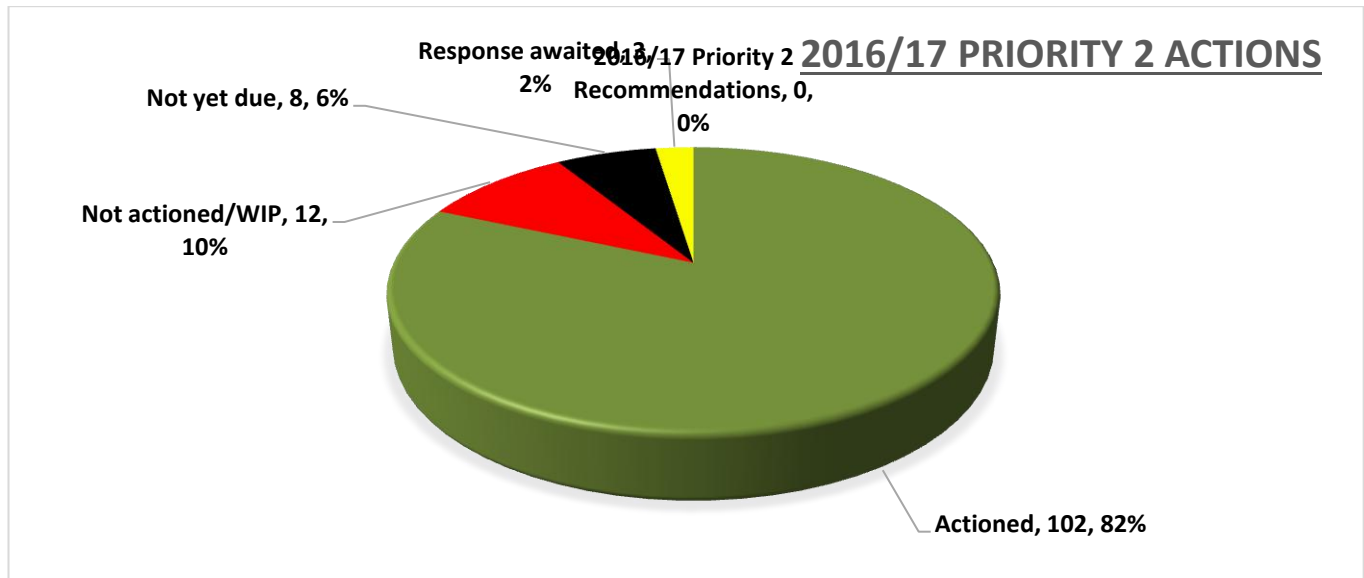


6. Follow-up testing and management assurances since the previous update in September 2017 have focused on the following:
- a) Children & Families Department (C&F): Special Educational Needs & Disability (SEND) transport budget management – testing confirmed that management responsibility for this budget has now transferred to the Travel & Transport Service in the Place Department. A suitable forecasting model has been developed and this is now being used as a basis for budget forecasts.
 - b) Place Department: Catering Service – the agreed action to implement sample testing of supplier invoices against delivery notes has been implemented in respect of supplies for the catering service on the West Bridgford campus, but it remains outstanding in respect of supplies for the service in schools. Good progress is being made to move the goods receipting process on to an electronic basis, for both schools and non-schools supplies; this will enable the efficient verification of all deliveries. Further follow-up testing by Internal Audit will be scheduled once the electronic checking process is in place.
7. Priorities for follow-up actions in the next quarter, and for reporting in the next update to Committee in May 2018, are the following:
- a) Adults, Social Care & Health (ASCH) Dept: Procurement of Interim Homecare
 - b) Children & Families (C&F) Dept: External Placements – this action is linked to a waiver of the Council's procurement regulations for a specified period to enable a Direct Purchasing System to be developed. A condition of the waiver is that the Governance &

Ethics Committee should be updated with progress at its meeting in March 2018, and this has been added to the Committee’s work programme. Internal Audit’s follow-up work will be scoped following the Committee’s consideration of the update report.

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. Internal Audit’s follow-up testing of selected Priority 2 actions identified one action that has not been implemented. This concerned the separating out on the accounting system of personal budgets for SEND transport, and management advised it will now be put in place.

Management updates to the Governance & Ethics Committee

10. 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

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

Reason/s for Recommendation/s

12. 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

13. 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 15/01/2018]

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

Financial Comments [RWK 15/01/2018]

15. 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