

29 November 2023

Agenda Item: 6

**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

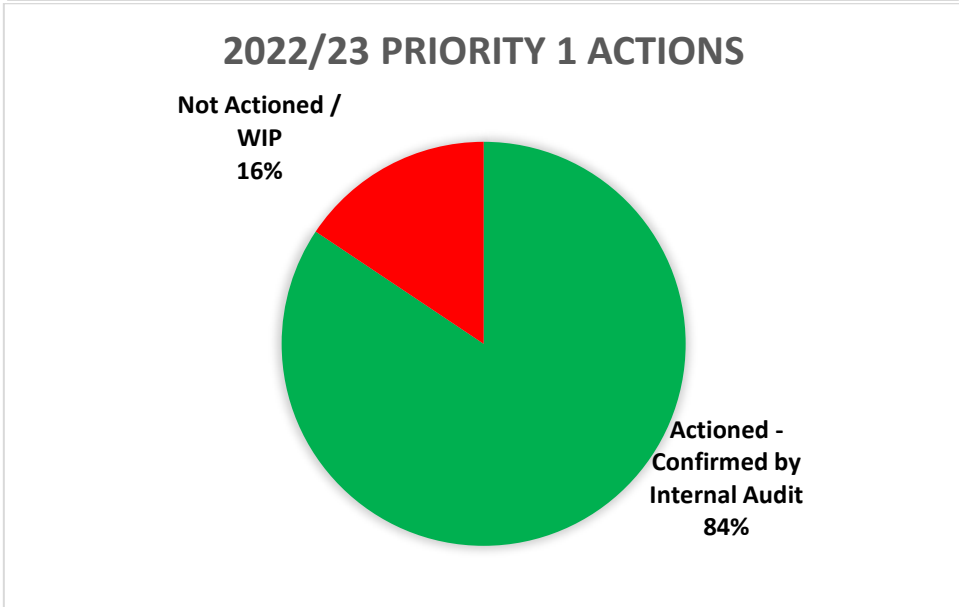
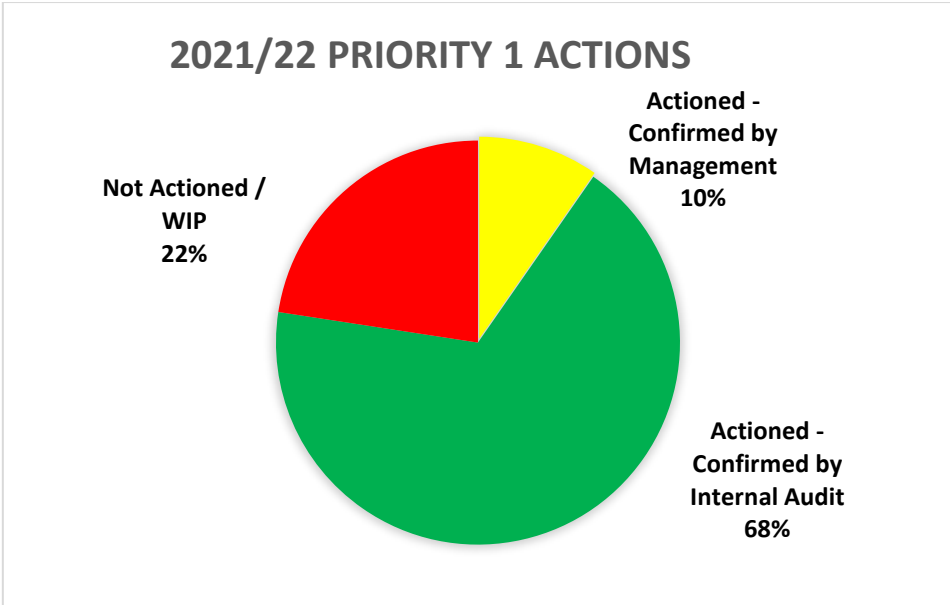
2. Internal Audit carries out follow-up work every six months, as follows:

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	Actions cleared
2022/23	
Counter-Fraud Learning & Responsiveness – Direct Payments	2 of the 4 actions were cleared. All referrals for new direct payments are being made to the Direct Payments Team who are encouraging use of pre-paid cards (the use of which is more visible to the Council). There is guidance for recording discussions and decisions (on the Mosaic system), and reminders about this guidance are periodically included in the regular practice newsletter, most recently in November 2023.

Priority 1 Actions – Cleared by Internal Audit following recent testing	
Audit	Actions cleared
Adult Care Direct Payments – prepaid cards	7 of the 8 actions were cleared – on account closures, checks on replacing expired cards, checks on payments, and access to systems and records.
ICT – Active Directory	All 5 Priority 1 actions were cleared. Two domains to be removed are no longer functioning, an unnecessary administrator account has been disabled, and a review of active directory group memberships has been completed.
ICT - Cyber Security	2 of the 3 Priority 1 actions that are now due have been cleared. There has been recruitment and the Security & Risk Management team is fully staffed; and patching work is now on track.
2023/24	
Bank Mandate Fraud	Both actions were cleared, which were to address fraud risks in schools, including bank mandate fraud.

7. Where management provides assurance that Priority 1 actions have been implemented, Internal audit tests them before confirming they are implemented (as in paragraph 6 above). We have obtained evidence to test all implemented Priority 1 actions, apart from the following three actions where management’s response indicates that the actions have mostly been implemented. This will be confirmed by internal audit in our next 6-monthly review.

Priority 1 Actions – implementation to be confirmed by internal audit in our next review	
Audit	Actions implemented – to be confirmed by internal audit
2021/22	
Councillors Divisional Fund	The original report had 6 Priority 1 actions and 3 were cleared a year ago in our November 2022 Committee report. The other 3 Priority 1 actions relate to the completeness of application forms; checks on applications before payment; and checks undertaken after payment. Management’s response indicates that the first two of these have been implemented, and the third is partly implemented, with remaining improvements to be explored. This will be confirmed by internal audit in our next 6-monthly review.

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	7	0	0	1	6	0
2022/23	5	3	0	0	2	0
2023/24	2	0	0	0	2	0
Total	21	3	0	1	10	7

Governance of ‘Category A’ Outside Bodies

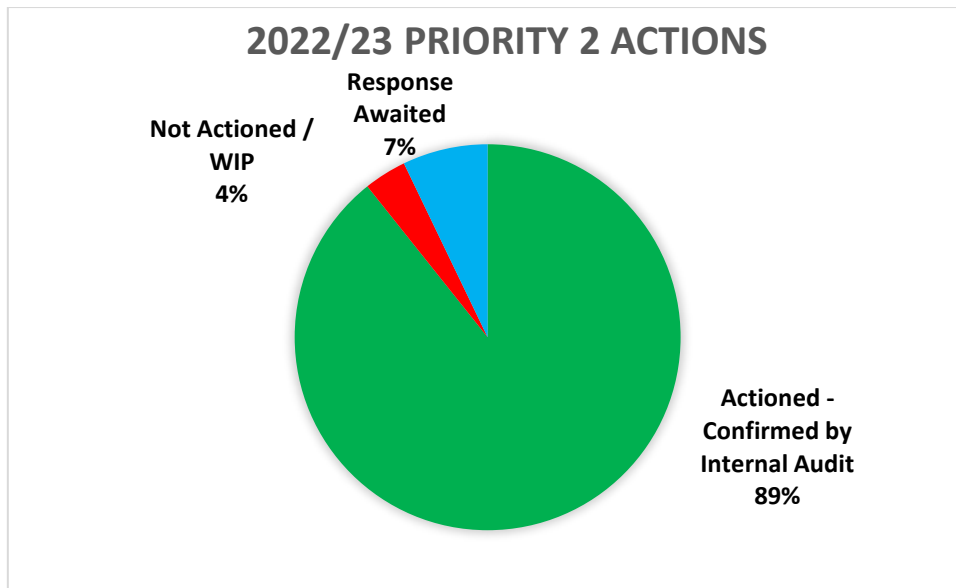
9. In the above table six of the overdue actions in the Chief Executive’s department relate to our report on Governance Arrangements for ‘Category A’ Outside Bodies. The nine recommendations within that report are now due for implementation based on the original

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. A review of arms length organisations is scheduled for the G&E Committee in February 2024. 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:

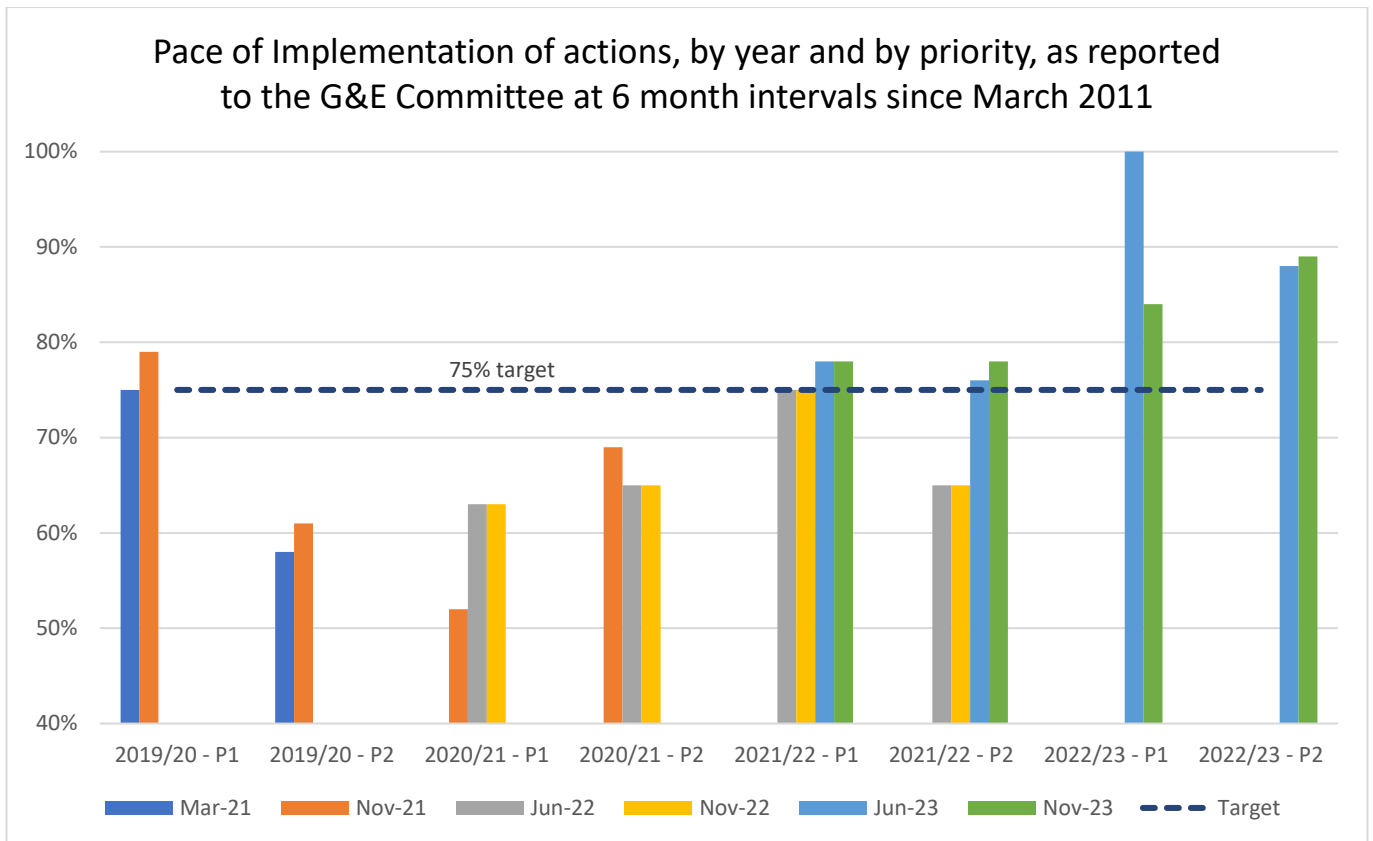




11. The green segments confirm that the majority of Priority 2 recommendations from both years have been actioned. The red segments indicate where there remains more to do.

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 March 2021, when the implementation of actions were being 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 exceeded the 75% target at our previous review in June 2023. This time, the implementation rate for Priority 2 actions has continued to rise, and whilst the overall target of 75% has still been achieved, the implementation rate for Priority 1 actions has declined, which is explained as follows:

14. The implementation rate for 2021/22 Priority 1 actions has remained at 78%.

15. The implementation rate for 2022/23 Priority 1 actions has fallen from 100% to 84%. Since June 2023 many more actions have become due and been implemented (27 compared to 11 previously - the extra 16 are summarised in paragraph 6 above). But five other actions have also since become due and are not yet implemented (summarised in Appendix 1).

16. The overall implementation rate on this latest action tracking exercise is 77% for 2021/22 actions and 87% for 2022/23 actions, so it remains above the target.

Management updates to the Governance & Ethics Committee

17. 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

18. 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

19. 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

20. 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.

21. 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

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

Constitutional Comments (GR - 01/11/2023)

22. Pursuant to the Nottinghamshire County Council constitution the Governance and Ethics Committee has the authority to receive this report.

Financial Comments (CSS - 01/11/2023)

23. 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