

12 October 2020

Agenda Item: 7

**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 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:

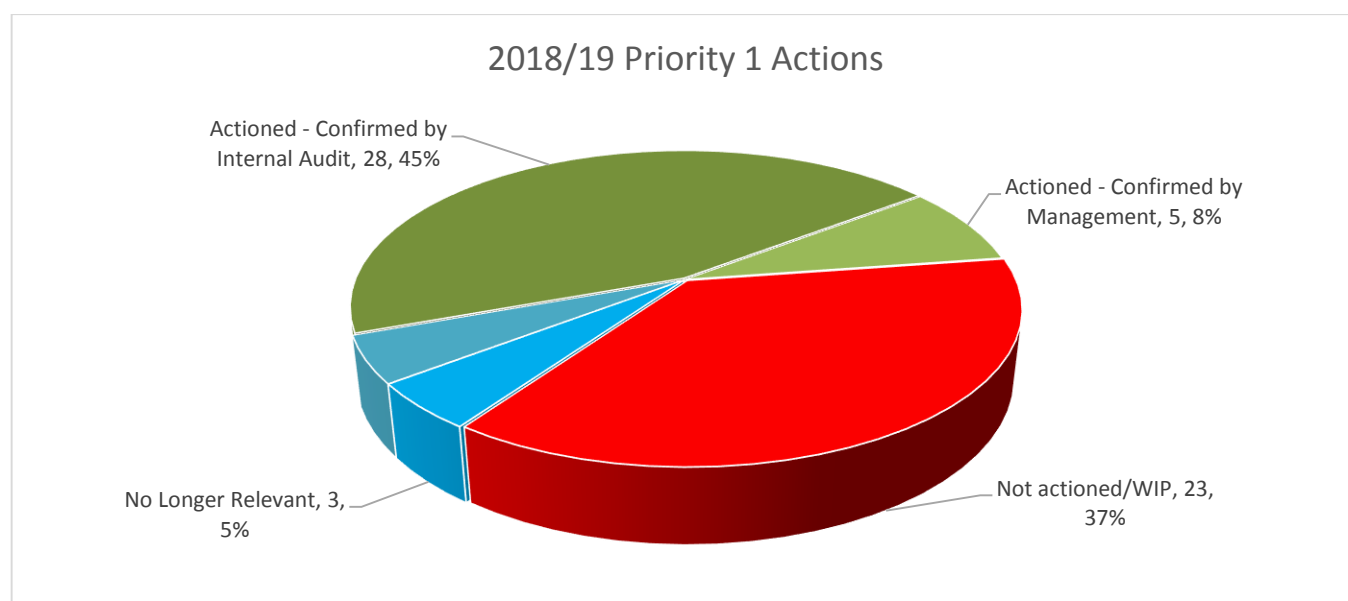
Priority rating of recommendation	Management assurance	Internal Audit assurance
Priority 1	Assurance is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to high priority recommendations are carried out consistently.
Priority 2		Compliance testing is scheduled for selected actions

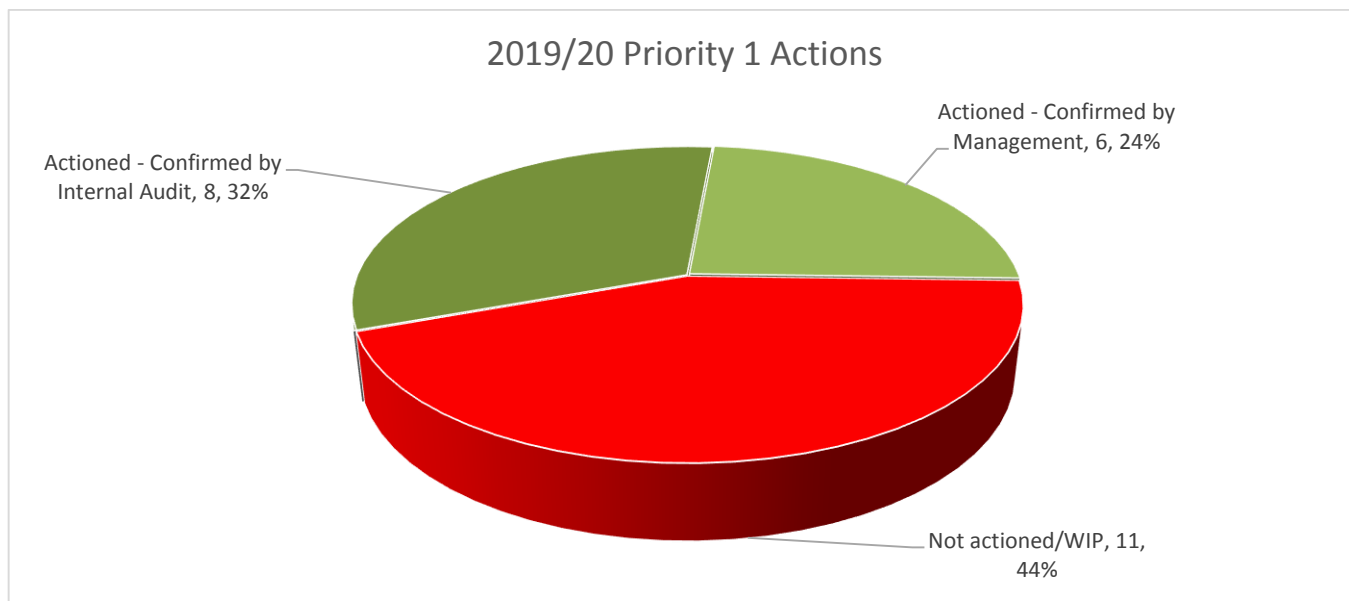
3. Internal Audit carries out the following work to provide an update on progress on a 6-monthly basis, although this update has been delayed due to the Covid19 Pandemic:
 - For recommendations agreed in audit reports issued since the date of the previous meeting, seeking assurance from management that 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.
4. Since the commencement of the Covid19 Pandemic the Council has prioritised the delivery of front-line services and refocused the service delivery within all departments. This has involved the reprioritisation of services and redeployment of staff which has impacted on resources

available to implement planned actions. Progress continues with improving the process for obtaining management assurance on agreed actions. Functionality has been developed within Internal Audit's automated system to enable action owners across the Council to input their updates directly into the system. The action owners will be prompted by system-generated reminders as each action's implementation date falls due. Completion of testing has been frustrated and delayed due to Covid19 priorities, but once systems updates are complete and rolled out, this should bring further efficiency to the follow-up procedure.

Priority 1 Actions

5. **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 categorisation we follow as regards the Red-Amber-Green (RAG) rating included in the appendix is:
 - Red – the implementation date has passed but the action remains in progress – based either on management's update or on Internal Audit's own testing;
 - Amber – management has confirmed that the action has been completed; and
 - Green – Internal Audit's testing confirms the action is operating consistently.
 The appendix also indicates the proposed timing for follow-up testing by Internal Audit in future periods. It has been updated since the previous update to Committee as follows:
 - Actions previously confirmed as implemented by Internal Audit have been removed
 - New actions agreed in recently issued reports have been added.
6. The previous updates to Committee captured the final view for actions agreed from audits carried out in 2017/18 and this update will move forward and focus on actions agreed for 2018/19 and 2019/20. It should be noted that any Priority 1 actions which are still outstanding remain listed on Appendix 1 until their implementation has been confirmed.
7. Attention has now moved on to the implementation of actions agreed from audits carried out in 2018/19 and 2019/20. The current status of the Priority 1 actions for those years are summarised in the following charts:





8. Follow-up testing by Internal Audit since the previous update in January 2020 has been completed in the following areas, although some planned testing has been delayed due to Covid19 as noted below :

- a) Adult Social Care and Public Health Department (ASCH): Direct Payments – our testing confirms that clear guidance has been issued to service users regarding the expectations and requirements of nominated and authorised account holders and to staff to improve monitoring, auditing and escalation procedures. Our follow up testing has confirmed that these processes have been effectively implemented. Two agreed actions depend on subsequent systems developments with Mosaic which once implemented can be scheduled for further follow-up testing, however these actions still need to be implemented to enable testing.
- b) ASCH Dept: Procurement of Adult Suppliers & Providers – most of the actions on this audit had already been cleared before 2020, but the remaining two have been delayed because of Covid19. A framework agreement for Day Services Transport was due to be tendered and in place by Spring 2020 but was cancelled, and with Day Service provision being suspended during the period, requirements are to be reviewed. A review of the provision of Specialist Food Products for County Enterprise Foods has been delayed because suppliers in the food industry are dealing with changes to supply and working arrangements during this period.
- c) ASCH Dept: Direct Payment Support Services – our testing has found that a more robust service specification has been developed but contract monitoring arrangements continue to be subject to further consultation. Our testing can be completed when actions have been put in place.
- d) ASCH Dept: Homecare Commissioning & Contract Management – the phase one portal was fully implemented in January 2020 and used to commission care packages and receive provider actual delivered care information. Phase two involving automated

reconciliation of care hours actually delivered and hours commissioned has been delayed partially as a result of Covid19 and also the need to revisit the original specification to improve governance and refine processes. We will be able to test and provide assurance once automatic reconciliation is trialled.

- e) ASCH Dept: Short-term Independence Service (Discharge to Assess) – payment to non-approved providers – Corporate Procurement confirmed larger house cleaning now carried out via in-house team with external providers rarely used. External providers charge well below £5,000 so budget holder responsibility to approve. Testing will be scheduled to review compliance.
- f) ASCH Dept: External Day Care Providers – the tender was prepared and due to go live in March 2020 but was pulled due to Covid19. The impact of Covid19 on vulnerable people meeting in congregate settings means that there is a need to review the future service delivery model and specification. There is significant work to do so current best estimate for new procurement is probably June 2021.
- g) ASCH Dept: Deputyships and Appointeeships – the end state report is now being completed to confirm actions of Working Group. All but two holding accounts have been reconciled and closed. The exceptions are the Loans Account - still needed for clients in urgent need of funds before legal powers granted; and Deceased Client Accounts - still needed for unclaimed estates at time bank provider changed. Testing confirmed that all fees and loans are now being accounted for and reconciled in BMS.
- h) ASCH Dept: Continuing HealthCare and Joint Funding – Covid19 has had a major impact on these work flows. Continuing healthcare nationally has been suspended and no date for recommencement has been determined, although the end of September had been mentioned informally. Health colleagues have ceased other activities except Covid19 related work at present and implementation remains on hold.
- i) Children and Families Department (C&F): School Expansion and Pupil Place Planning - Covid19 has impacted upon the review initiated by the Programme and Projects Team and is yet to conclude. However, we have been provided with evidence of a developed business case and option appraisal template which fully meets the action required in terms of determining priorities using a transparent and consistent methodology. School data forecasting processes and projection tools have also been evidenced which, when fully implemented, will complete the agreed actions.
- j) C&F Dept: Specialist Education Provision – testing has confirmed that the developments in Mosaic have now gone live. Testing has confirmed developments with the implementation of recommendations, but further actions are required before our testing can be completed, however due to Covid19 work this has been delayed.
- k) C&F Dept: Clayfields Secure Unit – overpayments have been fully recovered from two employees. Debt enforcement action is being taken against two other employees, thus completing the agreed actions.
- l) C&F Dept: Community Short Breaks Offer – there are now satisfactory BMS compliant processes for recovering and reconciling overpayments or mis-sending, should these occur. The audit of new accounts is done within two months of the card creation.

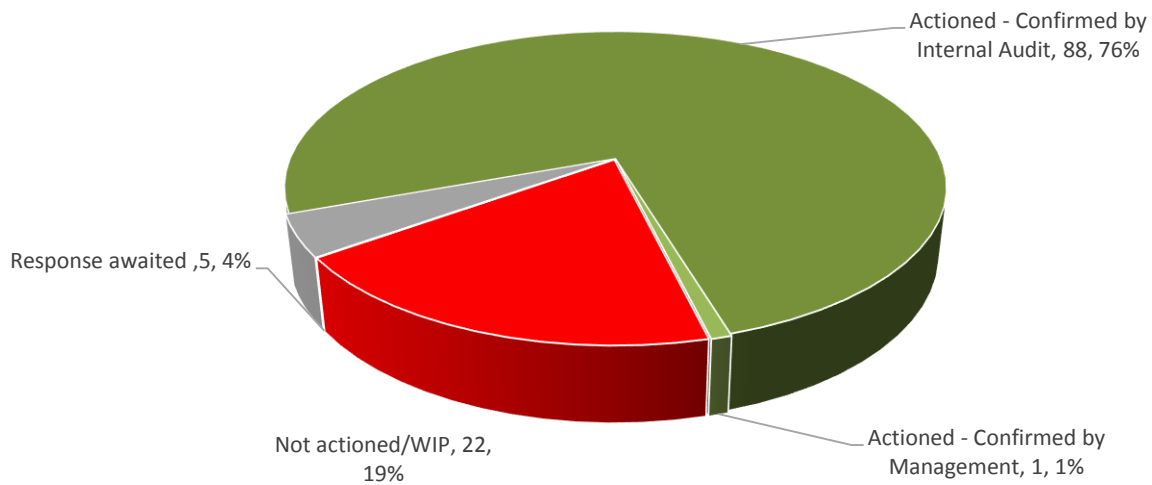
- m) Place Department: Catering - Food Supplies to Schools and Other Council Locations. - we have confirmed that a system has been introduced, and is in operation, for schools and other locations to confirm their deliveries of food items, against orders, and for these to be centrally checked to the consolidated invoices received from suppliers.
- n) Place Dept: Vacant Property Management – a separate report was presented to members on 6 November 2019 covering the progress with implementation of recommendations by management. We have since commenced testing on the 15 recommendations and have confirmed implementation of 10. Work continues with the remaining recommendations.
- o) Place Dept: Property Compliance – review of all aspects of Property Compliance continues through monthly Key Performance Indicator reviews of ARC's performance and expenditure. Ability to review compliance is available within the P2 system where improvements to functionality and usability is ongoing. Closedown reports detailing Property Transformation Programme is to be presented to Policy Committee in the Autumn and Corporate Leadership Team in early September.
- p) Chief Executives' Department (CEX): Pensions Administration – data cleansing and reconciliation to payroll data continue to be in progress with the assistance of Civica. Process has in part been delayed by HMRC missing deadlines to provide accurate data regarding Gross Minimum Pension calculations.
- q) CEX Dept: Treasury Management – remote home working has been introduced following Covid19 lockdown. Testing of transaction authorisation procedures was completed satisfactorily. Progress on developing Treasury Management business continuity arrangements in the event of non-availability of NCC systems continues to be stalled.
- r) CEX Dept: Contract Management - several actions were due to be completed by July 2020 in a project led by Corporate Procurement. Progress has been made, but was paused during Covid19, as procurement work focused on the urgent need to ensure continuity of delivery of services and supplies, including the need to extend contracts, and secure the supply of Personal Protective Equipment (PPE).
- s) CEX Dept: Procurement of Occupational Health Equipment – implementation of recommendations has been delayed due to Covid19 work and we have been unable to complete follow up testing. Testing will be rescheduled when actions have been implemented.
- t) Cross-cutting: Agency Staff and Consultants – management confirmed that the new Agency Staff management contract was scheduled to go live on 1st September. This addresses the audit requirements, but in addition to this, the vacancy control system is being redesigned to make the process more robust. We will check for compliance once new arrangements are operational.
- u) Cross-cutting: Procurement Compliance - we have confirmed that the remaining actions on this audit have now been cleared, with the competitive procurement of suppliers for water, and fuel for fleet vehicles.

- v) Cross-cutting: Employee Recruitment – a new system has been implemented and is due to go live shortly. We have been unable to complete testing but will schedule this when the system is operational.
- w) Cross-cutting: Health & Safety – the planned actions have been delayed due to Covid19. The Health and Safety Team is currently prioritising the recruitment of more first aiders and maintaining appropriate fire safety measures for those staff who attend council buildings. Follow up testing will be scheduled when actions implemented.
- x) Cross-cutting: Ethical Framework – work has commenced with implementation of recommendations but impacted by Covid19 work. A revised declaration of interest form has been developed for the Chief Executive's department and implementation continues with other stakeholders. We will schedule further testing once recommendations have been implemented.
- y) Cross-cutting: Sickness Absence Management - several actions were due to be completed by July 2020. Progress has been delayed because Covid19 has placed an unprecedented demand on the Human Resources Group to respond to the needs of employees during the crisis, and to prepare employees and managers for the current recovery phase.
- z) Cross-cutting: Information Governance Improvement Programme - most of the actions on this audit had already been cleared before 2020. Plans have been developed to make progress on Retention of Records, Personal H-drives, and improving the Information Asset Registers. These will be revisited in our future action tracking exercises.
- aa) Cross-cutting: Procurement of Tree Survey Works – testing confirmed that two actions had been taken and progress was being made against the final action. Testing will be carried out for this action when confirmed.
- bb) Cross-cutting: Budget Forecasting - testing has identified the implementation of some recommendations but others such as training, guidance and consistent business modelling have been delayed due to Covid19. We will test implementation of outstanding actions once implemented.

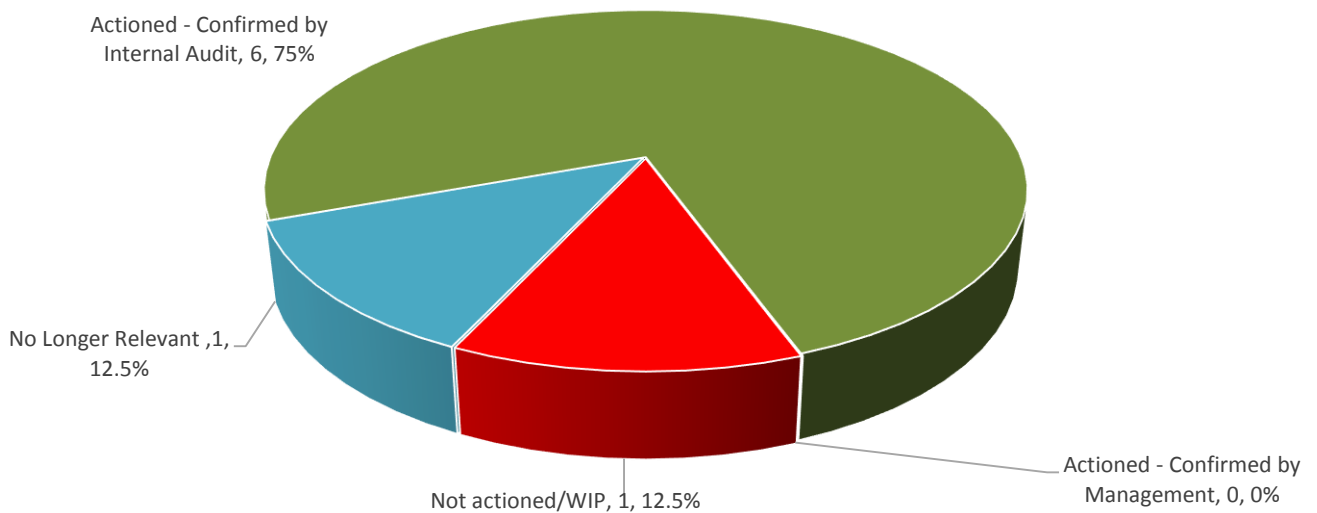
Priority 2 Actions

9. Similarly, with the Priority 1 actions a final view of progress for 2017/18 Priority 2 actions has been previously reported and we move forward with the implementation of Priority 2 actions from 2018/19 and 2019/20.
10. Progress with implementation of the 2018/19 and 2019/20 Priority 2 actions are summarised in the following charts:

2018/19 Priority 2 Actions



2019/20 Priority 2 Actions



11. The position above for Priority 2 actions 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.

Management updates to the Governance & Ethics Committee

12. 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

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

Reason for Recommendation

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

- 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, Infrastructure and Improvement

For any enquiries about this report please contact: Rob Disney, Group Manager – Assurance

Constitutional Comments (KK 23/09/2020)

The proposals in this report are within the remit of the Governance & Ethics Committee.

Financial Comments (RWK 23/09/2020)

There are no specific financial implications arising 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