



**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 and Advice

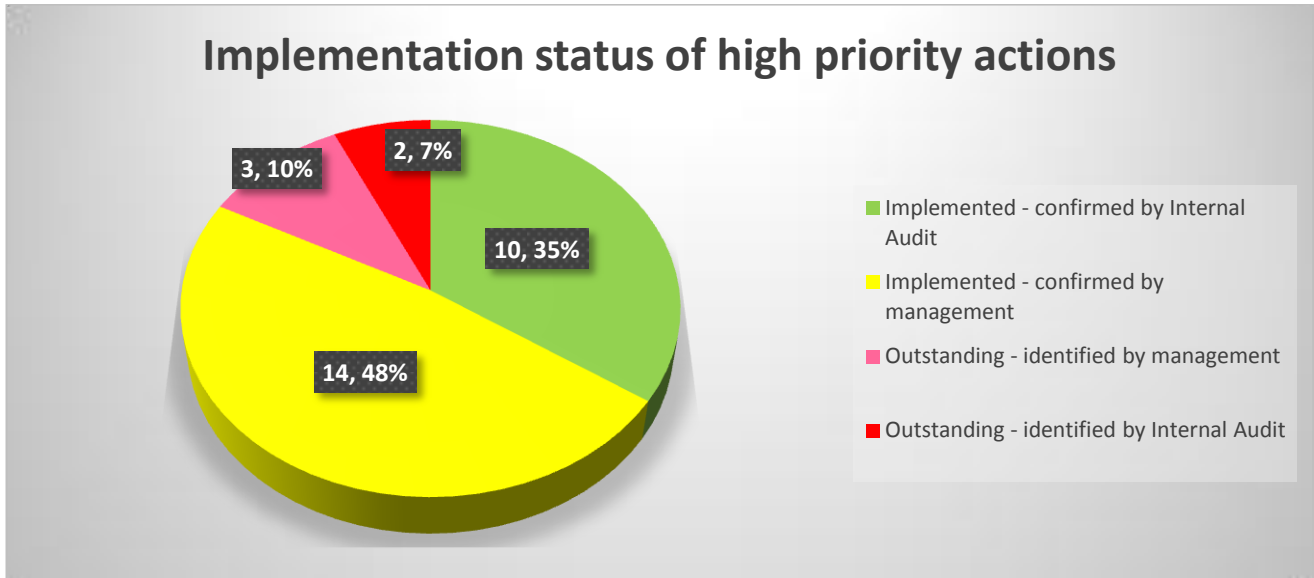
2. Internal Audit carries out regular follow-up work to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations are being taken. This assurance is obtained in two phases, as set out below:

Priority rating of recommendation	Management assurance	Internal Audit assurance
High	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.
Medium		Compliance testing is scheduled for selected medium priority actions
Low		No Internal Audit compliance testing is carried out
Value For Money (VFM)		Compliance testing may be scheduled for the more significant VFM recommendations

3. During each quarter between meetings of the Audit Committee, 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.

High Priority Actions

4. **Appendix 1** sets out the updated position with the high priority actions arising in recent Internal Audit reports. 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. The current status of the high priority actions is summarised in the following chart:



5. As reported in September 2016, a high level of assurance was received from management that agreed actions on high priority recommendations have been implemented. Since the last meeting, Internal Audit has completed follow-up testing in the following areas of service, and with the following outcomes:
- a) Adults' Social Care, Health & Public Protection (ASCHPP) Dept.: District Client Accounts – follow-up testing confirms that most of the agreed actions have been taken.
 - b) ASCHPP – Shared Lives: substantial progress has been made to achieve greater consistency in the standard of financial safeguarding records held for service users.
 - c) Children's, Families' & Cultural Services (CFCS) Dept.: External Placements – the action to ensure all service provision is sourced through appropriate procurement routes continues to progress
 - d) CFCS Dept.: Clayfields Secure Unit – follow-up testing confirms that the agreed actions have been implemented.
 - e) Place Dept.: Broadband – the action to discontinue use of the limit order had not been implemented, but will now be put in place in time for the next quarterly invoice from the supplier.
6. Since the previous meeting of the Audit Committee, further high priority actions have been agreed with management in the following areas of service:
- a) Cross-cutting: Agency Staff and Consultants
 - b) Cross-cutting: Information Governance
- In both cases, the implementation timescales extend into the 4th quarter of 2016/17, and beyond in some cases, therefore management assurances will be sought at the appropriate

time and reported to the Audit Committee in a future update. Follow-up testing by Internal Audit will then be scheduled for a future quarter.

7. The outstanding high priority actions relate to the following:
 - ASCHPP District Client Accounts – issue of revised staff guidance on the management of service users’ finances.
 - CFCS Locality based client accounts – implementation of a revised approach to handling charitable gifts to support particular children and families.
 - CFCS External placements – implementation of compliant procurement procedures.
 - Place Broadband – adoption of a conventional ordering process.

8. Just as Internal Audit’s latest recommendations and the associated management actions are continually added to the follow-up procedure, actions confirmed to have been implemented need to be removed from monitoring. This will ensure that the scope of the monitoring reports remains manageable. Appendix 1 identifies 18 high priority actions confirmed by Internal Audit to have been implemented, and these will now be removed from future updates.

Medium, Low & VFM Priority Actions

9. Progress with implementation of these recommendations is summarised in the following table. The figures represent the assurance updates received from management.

Recommendation Breakdown	ASCH&PP	CFCS	PLACE	RESOURCES	CROSS-CUTTING	TOTALS
MEDIUM PRIORITY						
Agreed	23	34	18	7	31	113
Implemented	17	34	17	6	7	81(72%)
In progress	0	0	1	0	9	10(9%)
Not yet due	6	0	0	1	15	22(19%)
Outstanding	0	0	0	0	0	0(0%)
LOW PRIORITY						
Agreed	8	4	11	6	3	32
Implemented	8	4	10	1	0	23(72%)
In progress	0	0	0	0	1	1(3%)
Not yet due	0	0	0	5	2	7(22%)
Outstanding	0	0	1	0	0	1(3%)
VALUE FOR MONEY						
Agreed	2	1	2	1	0	6
Implemented	1	1	2	1	0	5(83%)
In progress	0	0	0	0	0	0
Not yet due	1	0	0	0	0	1(17%)
Outstanding	0	0	0	0	0	0

10. With the exception of one low priority action, management consider all actions due to have been taken at this time have either been implemented or are in progress. Internal Audit’s follow-up testing of medium priority actions has not identified any on which no progress has been made. This continues to provide a very 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 Audit Committee

11. 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 March 2017 in relation to one or more of the areas in which agreed actions remain outstanding.

Other Options Considered

12. Given the recent approval by the Audit Committee for the change in procedure for the follow-up of internal Audit recommendations, no other options for obtaining the required assurances were considered at this time.

Reason/s for Recommendation/s

13. To enable the Audit 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

14. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

15. 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 noted, 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.

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

Constitutional Comments [KK 14/11/2016]

16. The proposal in this report is within the remit of the Audit Committee.

Financial Comments [RWK 14/11/2016]

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.

- The full Internal Audit reports containing the recommendations listed in Appendix 1.

Electoral Division(s) and Member(s) Affected

- All