

# Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 24 January 2019.

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**Subject:**

**2018/19 INTERNAL AUDIT FOLLOW UP PROCESS**

**Summary statement:**

**This report details the result of the Internal Audit Follow up exercise for 2018/19.**

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**Improvement Area:**

**Corporate**

## 1. SUMMARY

1.1 This report details the results of the Internal Audit Follow up exercise for 2018/19.

## 2. 2018/19 FOLLOW UP PROCESS

2.1 Internal Audit currently follows up its audit work in two ways – Annual follow up returns from Directors and performing individual follow up audits. The key findings from the follow up work are summarised below: Appendix 1 provides further detail.

- There were a total of 58 reports containing 168 High Priority recommendations which were followed up with Directors.
- The total overall progress including partial completion reported by in the Directors' returns show implementation of recommendations is 76%, only slightly different to 2017/18 completion levels.
- The Directors' returns showed that 54% of reports and 50% of recommendations were **fully** implemented during the year which continues to show that implementation of recommendations is incremental and takes time to complete.
- As with 2017/18, the progress data is incomplete as Children's Services have not been provided with updates from 6 school reports, which account for 33 of the 83 recommendations carried forward.
- Also, there was no reported progress during the year in implementing 6 previously followed up recommendations, in 4 reports. This is comparable in number with the position in 2017/18. However, a key difference is that in 2018/19, 5 of the 6 non-progressed recommendations related to 3 schools, none of which have provided an updated position. Whereas in 2017/18, all 5 non-progressed recommendations related to processes within the Council.
- Five individual follow up audits are being performed and from the work performed to date, Internal Audit is of the opinion that the Directors' returns are accurate.
- Limited progress in implementing agreed recommendations was noted in one of the follow up audits, although this was consistent with the Director's response.
- In the coming months, Internal Audit will work alongside departments to try and improve their performance in implementing agreed audit recommendations by following up on the implementation of agreed audit recommendations more frequently. During 2019/20 Internal Audit will move to make the follow up process timelier, by commencing the following up of audit recommendations, with the relevant actioning officer, two months after issuing the final audit report, and periodically from that point until all recommendations are confirmed as fully implemented.
- Significant concerns relating to lack of progress in reported implementation will be escalated to the relevant Assistant Directors for action. Strategic Directors will still be required to sign off an annual position statement for their department that will continue to be reported through to the Governance and Audit Committee. However, the new approach will allow information on progress to be mostly pre-populated when the annual position statement is called for.

## 4. OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION

4.1 Not Applicable.

## 5. OTHER CONSIDERATIONS

5.1 There are no other considerations.

## **6. OPTIONS**

6.1 Not applicable

## **7. FINANCIAL AND RESOURCE APPRAISAL**

7.1 The work of Internal Audit adds value to the Council by providing management with an assessment on the effectiveness of internal control systems, making, where appropriate, recommendations that if implemented will reduce risk and deal with financial uncertainty.

## **8. RISK MANAGEMENT**

8.1 The work undertaken by Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks. Consideration was given to the corporate risk register when the Audit Plan for 2018/19 was drawn up and any issues on the risk register, that relate to an individual audit are included within the scope.

8.2 The key risks examined in our audits are discussed with management at the start of the audit and the implementation of recommendations is followed up with Strategic Directors.

## **9. LEGAL APPRAISAL**

9.1 The Accounts and Audit Regulations for 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These standards are detailed in the Public Sector Internal Audit Standards supported by CIPFA's Local Government Application Note.

## **10. OTHER IMPLICATIONS**

### **10.1 Equality and Diversity**

Internal Audit seeks assurance that the Council fulfils its responsibilities in accordance with its statutory responsibilities and its own internal guidelines. When carrying out its work, Internal Audit reviews the delivery of services to ensure that they are provided in accordance with the formal decision making process of the Council.

### **10.2 Sustainability Implications**

When reviewing Council Business, Internal Audit examines the sustainability of the activity and ensures that mechanisms are in place so that services are provided within the resources available

### **10.3 Greenhouse Gas Emissions Impacts**

There are no impacts on Gas Emissions.

### **10.4 Community Safety Implications**

There are no direct community safety implications.

#### 10.5 **Human Rights Act**

There are no direct Human Rights Act implications.

#### 10.6 **Trade Union**

There are no implications for the Trade Unions arising from the report.

#### 10.7 **Ward Implications**

Internal Audit will undertake specific audits through the year which will ensure that the decisions of council are properly carried out.

#### 10.8 **Implications for Corporate Parenting**

None

#### 10.9 **Issues Arising from Privacy Impact Assessment**

None

### 11. **NOT FOR PUBLICATION DOCUMENTS**

11.1 None.

### 12. **RECOMMENDATIONS**

12.1 That the Governance and Audit Committee notes the content of the follow up exercise and approves the proposed changes to the Internal Audit Recommendations follow up process.

### 12. **APPENDICES**

Appendix 1 – Internal Audit 2018/19 Follow Up Exercise

### 13. **BACKGROUND DOCUMENTS**

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards 2017.

2018/19 Internal Audit Follow Up Process

1. Internal Audit currently follows up its audit work in two ways – Annual follow up returns from Directors and performing individual follow up audits. The purpose of this section is to report the progress that Directors have confirmed as being made in implementing previously agreed Internal Audit recommendations and also to inform G&AC of the Internal Audit follow up audits undertaken during the year.

2. Annual Returns From Directors

2.1 Analysis of the Annual Returns from Directors is shown in Table One below.

**Table One: Analysis of Director’s Reported Rate of Implementation of Agreed Recommendations for Reports issued up to 31.03.18**

Department	Total in Follow Up		Overall Progress of Implementation		Outstanding Reports & Rec’s Carried Forward		No Reported Progress in Level of Implementation During Year	
	Reports	Rec’s	2018/19	2017/18	Reports	Rec’s	Reports	Rec’s
Chief Executive	4	4	90%	100%	1	1		
Children's Services	2	7	59%		1	6		
Schools	11	58	45%		7	35	3	5
Corporate Resources	22	39	85%	91%	9	13	1	1
Health & Wellbeing	4	32	87%	30%	3	20		
Place	15	28	91%	95%	5	8		
<b>Total for all Departments</b>	<b>58</b>	<b>168</b>	<b>76%</b>	<b>78%</b>	<b>26</b>	<b>83</b>	<b>4</b>	<b>6</b>

2.2 In 2018/19 there were a total of 58 reports containing 168 High Priority recommendations which were followed up with Directors. This included 19 reports and 30 agreed recommendations that were carried forward from last year’s follow up, and 39 reports and 138 agreed recommendations issued during the 2017/18 financial year. The Directors’ returns showed that 54% of reports and 50% of recommendations were fully implemented during the year, which is a decrease from 2017/18’s figures of 58% and 68% respectively and continues a downward trend being 70% and 78% respectively in 2016/17. If progress is adjusted to reflect overall progress for each report, including partial completion (as reported by Directors within the returns) the total overall progress of implementation of recommendations is 76%, only slightly different to last year.

2.3 However, as with 2017/18, the progress data is incomplete as Children’s Services have not been provided with updates from six of schools. There are three schools, Hanson School, St Bede’s & St Joseph’s Catholic College and Wycliffe CE Primary School where the reports were issued several years ago and the outstanding items relate to residual actions concerning voluntary funds and benchmarking. Consideration should be given to taking no further action on these reports.

2.4 There were three reports, Farfield Primary School, Grove House Primary School and Ingrow Primary School issued in 2017/18. These three schools accounted for 28 of the recommendations carried forward. It is therefore likely that the carry forward figure is overstated. Internal Audit will continue to seek an update on these

recommendations from these three schools with support from Childrens Management. It may be the case that the response from the Schools could have been delayed by the Christmas break.

2.5 The Director's returns showed no significant change in the number of reports and recommendations carried forward for more than one year and for which no progress had been made. However, the key difference to note is that in 2018/19 5 of the 6 non-progressed recommendations related to 3 schools, none of which have provided an updated position, whereas in 2017/18 all 5 non-progressed recommendations related to processes within the Council.

### 3. Individual Follow Up Audits

3.1 In order to assess the accuracy of the returns from Directors, recommendations within the following audits were followed up:

Department	Audit Report	Issue Date	Recommendations Agreed	Internal Audit Opinion on the Accuracy of Progress Update Reported
Health & Wellbeing	Mental Capacity Act 2005 - Deprivation of Liberty Safeguards (DoLS)	22/12/2017	2 Critical & 12 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Health & Wellbeing	Direct Payments Follow Up	09/04/2018	1 Critical & 4 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Children's Services	Early Years Funding of Private, Voluntary & Independent (PVI) Settings	28/04/2016	1 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Children's Services	Review of Cash Purchasing	06/04/2017	6 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018
Place	Temporary & Permanent Variations to Pay - Sport & Culture	20/10/2017	1 High Priority	Internal Audit work performed to date has confirmed the accuracy of the implementation progress update reported by the department in December 2018

3.2 From the follow up audit work performed to date Internal Audit is of the opinion that the reported progress regarding the implementation of agreed recommendations is accurate.

- 3.3 In respect of the Review of Cash Purchasing, Internal Audit noted that limited progress has been made by Children's Services in reducing its cash payments expenditure. A contributing factor to this is that the Through Care Service has only 6 purchasing cards for 90 staff and requires more cards. Internal Audit understand that the number of purchasing cards has to date been limited to 6, due to the Procure to Pay Team, who perform the requisite timely checks on Through Care's purchase card expenditure before the corporate purchase card bill is paid, having limited capacity to perform these checks. However, it is expected that Through Care will have more purchasing cards in future, thereby reducing its cash expenditure further, as the Procure to Pay Team is planning to increase its capacity to check purchase card expenditure. It should be noted that the processes concerning purchase cards was the one area where Corporate Resources had not progressed the level of implementation during the year.