Manchester City Council
Report for Information

Report to: Audit Committee – 20 March 2014

Subject: External Audit Recommendations Monitoring Report

Report of: City Treasurer / Head of Audit and Risk Management

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Summary

To provide assurance to the Audit Committee and Grant Thornton that recommendations arising from external audit work have been, or are being, implemented in a timely and satisfactory fashion.

Recommendations

Audit Committee is requested to consider and comment on the External Audit Recommendations Monitoring Report.

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Wards Affected:

All

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Background documents (available for public inspection):

Implementation of External Audit Recommendations Monitoring Report – Audit Committee Report, September 2013

1.   Introduction

1.1   Internal Audit has taken responsibility for the status reporting of recommendations agreed between the Council and the external auditors, Grant Thornton. We have made amendments to bring the process in line with existing Internal Audit follow-up processes and to reflect the current scope of the External Auditor's work.

1.2   We have obtained responses from the designated responsible officers and gained directorate agreement of the reported status of recommendations.

2.   Progress of External Audit Recommendations

2.1   There are a total of 9 recommendations that have been followed up since the last progress report presented in September 2013. We have ascertained that six of these are partially implemented. The total number of recommendations made and their current status are shown in Appendix 1.

2.2   **Status Summary**

   Information System Control (issued June 2009)
   - All but one of the 15 recommendations, have previously been reported as implemented with the one remaining high priority recommendation partially implemented. Actions taken to date include the establishment of the data centre at Sharp and the process of migrating ICT hardware and applications to Sharp is largely complete. This has substantially improved overall ICT resilience and when complete will have addressed a number of past concerns raised by both internal and external audit regarding improvements to the Council's ICT infrastructure.
   - This remaining recommendation also linked to resilience, but relates ICT "establishing and formalising a detailed disaster recovery process for the IT systems, clearly defining what areas are to be given priority in the event of a disaster and providing coverage of the high priority systems". This aims of this recommendation was to bring greater formality and structure to the plans to be enacted in the event of a major ICT disaster. It was accepted by the then Head of ICT but actions were not progressed.
   - Although much work has been undertaken to strengthen ICT resilience and understand the disaster recovery needs across the Council, actions relating to this recommendation are ongoing. Services do now have business impact analyses and associated business continuity plans, that have been reviewed as part of the recent data centre migration, to help them plan and manage disruption and disaster, but these do not comprise a full ICT disaster recovery plan as recommended in 2009.
   - From an Internal Audit perspective we consider that the risk presented by the lack of an ICT Disaster Recovery Plan has been 'tolerated' for the last four years and although we consider that a plan should be established as it would help the Council plan and respond to ICT failures, we acknowledge that there is no clear deadline for completion or agreement that this issue is a higher priority than others being placed on the ICT Service. We consider it was right for ICT to prioritise the establishment of the data

centre over the development of a disaster recovery plan as this focus has been necessary to strengthen the resilience of the Council's ICT estate.

- We therefore propose that External Audit and Audit Committee are advised that this recommendation is being written off and that the Head of ICT include ICT Disaster Recovery as a Service Improvement Option to be considered as part of the 2014/2015 Service Business Plan. This will allow a proper consideration of the risk and the relative cost/benefit of investment time, capacity and resource.

- Internal Audit will consider disaster recovery as part of annual audit planning considerations and will revisit this area with management in 2014/15 to understand how the risks presented by the lack of an ICT Disaster Recovery Plan are being managed.

Interim Audit Report (issued May 2012)

- Two recommendations were made in the 2012 Interim Audit Report. The management responses lacked focus and as a result, whilst we can confirm the stated management actions have been completed, they have only partially addressed the actual recommendations.

- External Audit raised a medium priority recommendation that "management should ensure that a review of access rights is performed on a regular basis (at least annually) for the network and all critical business applications (SAP)". The management action was to "discuss" options with Audit and HR.

- In mitigation of this risk, systems are in place that do enable a review of SAP access and we are aware of service-led reviews of MiCare (social care) and Academy (Revenues and Benefits) access having taken place and these have helped minimise risks. In addition there have been improvements in the process for approving network access and there are strong gateway processes in place for access to key business systems. There is, however, no corporate ICT approach to confirming access to the network or application access.

- We consider that the risk reflected in this recommendation has been partially implemented. As consideration of relative risks and resource is ongoing in ICT, we propose that External Audit and Audit Committee are advised that this recommendation is being written off and that the Head of ICT include ICT Access Reviews as a Service Improvement Option to be considered as part of the 2014/2015 Service Business Plan. This will allow a proper consideration of the risk and the relative cost/benefit of investment time, capacity and resource.

- The second recommendation to establish "a process to review the security logs for the network on a regular basis" was classed as low priority. The management response was that ICT would "investigate monitoring tools for the whole of the ICT estate and that security was within scope.

- Alerting is now in place for critical areas but monitoring is manual at present and requires further action if it is to be compliant with the Code of Connection requirements of the Council's access to the Public Services Network (PSN). PSN requires the Council to have security logs in a central repository, alerting and monitoring to be in place and is dependent on upgraded desktop hardware. These requirements have been specified

as part of the PSN project plan and budget which will be progressed in 2014.

- As above we consider that the risk reflected in this recommendation has been partially implemented. As consideration of relative risks and resource is ongoing in ICT, we propose that External Audit and Audit Committee are advised that this recommendation is written off and that actions to address the underlying security risks are addressed as part of the PSN project.

Objections to the audit of Accounts 2011/12 Summary Report (issued September 2013)

- There were seven recommendations agreed as a result of this audit, of which one is not yet due for review and one was recorded as implemented at the time of the report being presented to Audit Committee (low priority).

- One of the remaining five, a high priority recommendation, was for management to implement all actions relating to taxi license costings and fees that arose from two Internal Audit reports. Similarly management agreed to consider the various legal interpretations in relation to the allocation of taxi licences costs and fees. We consider both of these recommendations to be partially implemented following the establishment of a Costing and Fees Project Group, including representation from Legal Services, to identify and agree a new costing and fees model. Once a new fee model has been approved and a regular review programme has been established we will consider these two recommendations to be closed.

- The last three recommendations remain outstanding pending the outcome of the Costing and Fees Project. These include a requirement for an annual review of compliance with legislation (high priority); the presentation of a report on the regulatory policy approach to the Licensing and Appeals Committee; and decisions to be made on any potential refunds arising from the project work (low priority). These actions are scheduled to be actioned following completion of the Costing and Fees Project.

Audit Findings Report 2012/13 (issued September 2013)

- Partial action to address a medium priority recommendation regarding disclosures and analysis in respect of group financial statements has been developed with preparation undertaken to amend the notes to the year end accounts to show specific items as investment items rather than subsidiaries. External Audit are aware that this action is on-track to be dealt with for the 2013/14 financial statements and this action will be considered implemented on completion of the final accounts.

3. Conclusion

3.1. Progress has been made on the implementation of External Audit recommendations since April 2013 when the previous monitoring report was issued. A total of six of nine outstanding recommendations have been partially implemented with a further three outstanding. We have proposed writing back three of the partially implemented recommendations.

3.2. The next monitoring report will be presented to Audit Committee in September

2014.

4.   Recommendations

4.1.   Audit Committee is requested to consider and comment on the External Audit Recommendations Monitoring Report.

Appendix 1 – Recommendations and Exposure to Risk (February 2014)

| Audit | Recommendations Made by External Audit Implementation Status | | | | | | Assurance |
	Total agreed	Implement-ed to date	Number of Recs now due for Review	Outstanding	Partially Implemented	Fully Implemented	% Fully Implemented
Information Systems Control April 2010	15	14	1	0	1 Proposed for write back to management	0	0%
Interim Audit Report May 2012	2	0	2	0	2 Proposed for write back to management	0	0%
Objections to the Audit of Accounts 2011/12 Summary Report	7	1	5	3	2	0	0%
Audit Findings Report 2012/2013	2	1	1	0	1	0	0%

Totals	26	16	9	3	6	0	0%