

**Manchester City Council
Report for Information**

Report to: Audit Committee – 22 September 2014
Subject: External Audit Recommendations Monitoring Report
Report of: City Treasurer / Head of Audit and Risk Management

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.

Wards Affected:

All

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Background documents (available for public inspection):

Implementation of External Audit Recommendations Monitoring Report – Audit Committee Report, March 2014

1. Introduction

- 1.1 Internal Audit have liaised with the external auditor Grant Thornton and designated responsible managers in order to provide an update on the position of agreed external audit recommendations.
- 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 10 recommendations that have been followed up since the last progress report presented in March 2014. We have ascertained that seven of these are implemented. The total number of recommendations made and their current status are shown in Appendix 1.
- 2.2 One recommendation relates to ICT from 2009 (High Priority) which we proposed for writing back the risk to the business in our report to the Audit Committee in March 2014. We note that a report on Disaster Recovery is being presented to the Audit Committee on 22 September by the Head of ICT.
- 2.3 The remaining two recommendations relate to the objection to the 2011/12 accounts and have been dependent on the finalisation of the current costing and licensing project which has recently been completed and are likely to be implemented in late 2014/15.

3 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. This was discussed at the Audit Committee in March 2014 and it was subsequently agreed that a representative from ICT would report to the Audit Committee in September 2014. This remaining recommendation also linked to resilience, but relates to 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”. The aim of this recommendation was to bring greater formality and structure to the plans to be enacted in the event of a major ICT disaster.
- A report and presentation on the Council’s ICT service and strategy was made to the Finance Scrutiny Committee on 28 August, at which Audit Committee members were present. This included an overview of ICT Strategy, resilience developments, details of security risk, protection of Council systems and data protection. A further report will be presented to the Scrutiny Committee in January 2015.
- Further to comments at the March Audit Committee and subsequent Finance Scrutiny Committee, a separate report is to be made at this Audit Committee by

the Head of ICT summarising the current position and proposed timeline for completion of action to improve resilience and disaster recovery based on planned developments.

- Given the separate report and ongoing focus at a strategic level by the Scrutiny Committee, we do not consider there is added value obtained by the Audit Committee continuing to monitor progress on this specific recommendation. We therefore propose to write back the risk as partially implemented. Internal Audit will consider ICT resilience and Disaster Recovery planning as part of our ongoing assessment and evaluation of ICT governance, risk management and internal control.

Interim Audit Report (issued May 2012)

- External Audit raised a medium priority recommendation that “management should ensure that a review of ICT 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. Further action is also planned from December 2014 for the SAP team to provide annual lists of users and accesses to the business who will check and confirm/amend access as appropriate. Given this approach reflects that currently adopted within Revenues & Benefits, we consider this recommendation is now implemented and we will continue to provide assurance with a planned internal audit of leavers and ICT access this year.
- 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.
- Action has since been taken as part of an exercise to ensure compliance 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. An automated monitoring system has also been implemented that issues email and text alerts in the event of anyone attempting to unsuccessfully log in more than 3 times. A further security tool identifies any changes to the Unix Operating systems. A report is also run each month and reports by email to management in the event of any changes. Given the action taken, we consider this recommendation has now been implemented.

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 was recorded as implemented at the time of the report being presented to Audit Committee (low priority).
- One of the remaining six, 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. A new costing and fee setting model has been established through the Project Group, including representation from Legal Services, following which new fees for 2014/15 have been proposed and advertised for consultation. The aim is to implement the revised fees from 1 October 2014. Given that costs have been identified and reviewed as part of this process, we consider these two recommendations to be implemented.
- One medium priority recommendation related to action to revise accounting arrangements so that only actual surpluses/deficits would be transferred to the taxi reserve at the year end. As part of the accounts closure process, this was included in the finance closedown timetable actions for the Licensing Service for 2013/14 (and for subsequent years). We are satisfied this recommendation has been implemented.
- A further recommendation relating to a requirement for an annual review of compliance with legislation (high priority) has been implemented with a report to the Head of Planning, Building Control and Licensing in consultation with the Chair of the Licensing and Appeals Committee supporting the review of taxi licenses fees and charges and a similar report will support subsequent annual fees reviews.
- A further two recommendations remain outstanding pending the outcome of the Costing and Fees Project. These include 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 finalisation of the Costing and Fees Project.

Audit Findings Report 2012/13 (issued September 2013)

- A medium priority recommendation regarding disclosures and analysis in respect of group financial statements has been implemented with action taken to amend the notes to the year end accounts to show specific items as investments rather than subsidiaries. This involved discussions with External Audit which resulted in agreement with the approach undertaken and the organisations involved.

4. Conclusion

- 4.1 Progress has been made on the implementation of External Audit recommendations since March 2014 when the previous monitoring report was issued. A total of seven of ten outstanding recommendations have been

implemented with a further two outstanding and one proposed for closure.

- 4.2 The next monitoring report will be presented to Audit Committee in March 2015.

5 Recommendations

- 5.1 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	Implemented 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 closure due to ongoing strategic scrutiny	0	0%
Interim Audit Report May 2012	2	0	2	0	0	2	100%
Objections to the Audit of Accounts 2011/12 Summary Report	7	1	6	2	0	4	67%
Audit Findings Report 2012/2013	2	1	1	0	0	1	100%
Totals	26	16	10	2	1	7	70%