

**Manchester City Council
Report for Information**

Report to: Audit Committee - 22 September 2014
Subject: Internal Audit Progress Report 2014/15
Report of: City Treasurer / Head of Audit and Risk Management

Summary

The Internal Audit Section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. This work culminates in the Annual Head of Internal Audit Annual Opinion and an Annual Assurance Report. This report provides a summary on the work undertaken and audit opinions issued in the five months to August 2014.

Recommendations

Members are requested to consider and comment on the Internal Audit Assurance Progress Report to August 2014.

Wards Affected:

All

Contact Officers:

Richard Paver
City Treasurer
0161 234 3564
richard.paver@manchester.gov.uk

Tom Powell
Head of Internal Audit and Risk Management
0161 234 5273
t.powell@manchester.gov.uk

Background documents (available for public inspection):

Documents used in the development of the assurance report include:

- Internal Audit Plan 2014/15 (July 2014 Audit Committee)

Internal Audit Assurance Report - Five Months to August 2014

Introduction

- 1.1 This report provides a summary of the work of the Internal Audit Section from April to August 2014. It reports progress with delivery of the annual audit plan and overall progress in the implementation of recommendations. This includes a summary of the assurance opinions issued on completed audits and level of exposure to risk arising where recommendations are outstanding. The opinions and statistics are provided to and presented at the relevant directorate's senior management team meetings for discussion and agreed actions.

2. Audit Programme Delivery and Implementation of Recommendations

Plan Delivery

- 2.1 The following table summarises the outturn against the audit plan to date. Outputs include audit reports, management letters and advice and guidance as well as support to management on service improvement. It also includes reactive fraud and irregularity investigation reports for work requiring more than five days of audit support or where an opinion was provided. The analysis excludes most of the advice and guidance provided to the business through involvement in working groups and projects across the Council as these were not captured in formal reports. Figures include completion of brought forward work in the first quarter as agreed with managers.

2.2

Audit Status	Audit Plan Outputs	Additional and Contingency Items
Final Report Issued *	58	1
Draft Report Issued	11	
Fieldwork Completed	6	
Fieldwork Started	16	2
Planned	8	1
Total	99	4
Cancelled / Deferred	9	

- Includes audits from 2013/14 finalised in 2014/15

- 2.3 The number of audits carried out during the year increase as the blocks of time allocated for areas of work are broken down and used to support the

business and provide assurance over key activities. There has been regular demand from management for advice and guidance or additional audit work in some areas which continues to be considered based on a risk assessment. The flexibility offered by the audit plan allows for some adaptation and resourcing of targeted work while maintaining progress toward delivery of planned assurance activities.


- 2.4 Implementation statistics report the position on outstanding audit recommendations as reported to management at end of June 2014. This is in line with the timescales reported to management through the Council's Performance Management Framework. Any specific issues over delays in implementation are addressed with business managers as required and reported within the performance management framework. Some adjustments have been made where further implementation evidence has been seen.
- 2.5 The sections below describe the progress made against the annual audit plan.

3 Children and Commissioning

- 3.1 There were 235 days allocated for audit activity across the Directorate for Children and Commissioning and 280 days allocated to Education and Schools. This was directed to the risk based plan agreed in July 2014.
- 3.2 We issued six final audit reports from the 2013/14 Internal Audit Plan and finished the fieldwork and issued draft reports for the remaining two planned audits. Of the six reports issued as final: Closing Residential Homes Phase 2 was given substantial assurance with high capacity to improve, Centralised Placements Team, Primary Pupil Referral Unit and Family Recovery Service were moderate opinions with a positive capacity to improve and Education Operational Services was issued as advice and guidance.
- 3.3 For the audit of Youth Offending Service - Commissioning we provided limited assurance, due to the lack of documented, signed and up to date contracts and waivers, limited performance objectives linked to service objectives and the lack of contract monitoring arrangements. This makes difficult to assess value for money and effectiveness of the positive outcomes achieved. Having received the management responses to the draft report we were able to provide a positive capacity to improve. We were pleased with the promptness of the timescales for actioning the most significant of the issues, in particular the full completion of all contracts and waivers which were planned for completion by the end of August.
- 3.4 The delegated decision making audit assessed whether compliance children's safeguarding decisions were being made in line with management expectations set out in the approved delegated authority list. We provided moderate assurance because of inconsistency in the approach taken to document some key approvals; a lack of clarity over the type of decision that would be expected from the Scheme of Delegated Authority; concerns over the timeliness of approval for section 17 cash payments made outside of standard working hours and dealt with by the Emergency Duty Service; and a lack of recording decisions that had been made to initiate court proceedings to take a child into care under section 31 of the Children Act.

- 3.5 In Quality Assurance Children’s Safeguarding we concluded that significant progress had been made in developing a framework since our last audit of casework activity. However there was still substantial work needed to embed a fully effective and efficient assurance framework. Work was needed in particular to ensure there were action plans developed at an individual, area and city wide level to support improvement actions arising from the audit and wider assurance framework. Action was also needed to develop a middle management city wide support and challenge function below the Performance Improvement Board to drive improvement action and to take responsibility for the city wide action plan.
- 3.6 We have issued a final report on the Schools Financial Value Standard (SFVS) annual submissions which was used to support the City Treasurer’s ‘SFVS DSG CFO assurance statement 2013/14’ submission to the DfE which outlines completion of SFVS for 2013/14 and wider school assurance arrangements. All except four Local Authority Maintained Schools had either submitted a completed SFVS assessment (125 schools) or had a legitimate exemption from completing it (15 Schools). All assessments have now been completed, although we are still awaiting a signed submission from St Wilfrids, Northenden and this progress has been confirmed with the DfE.
- 3.7 We have completed the fieldwork for Manchester Common Assessment Framework (MCAF) Audit and we are progressing audits in relation to Free Early Education Entitlement (funding assurance framework and a compliance audit). The fieldwork will be completed and draft reports issued for these audits shortly.
- 3.8 The following provides the status of audit work carried out and additional work done along with opinions issued to date.






Audit Area – Planned	Audit Status	Assurance Opinion	Capacity to Improve
2013/14 Plan (brought forward)			
Closing Residential Homes Phase 2 <i>Issued 10 April 2014</i>	Final	● Substantial	High ↑
Centralised Placements Team <i>Issued 15 April 2014</i>	Final	● Moderate	High ↑
Primary Pupil Referral Unit <i>Issued 15 May 2014</i>	Final	● Moderate	High ↑
Delegated Decision Making <i>Issued 29 May 2014</i>	Draft	● Moderate	Set at Final
Youth Offending Service - Commissioning <i>Issued 30 May 2014</i>	Final	● Limited	High ↑

Audit Area – Planned	Audit Status	Assurance Opinion	Capacity to Improve
Quality Assurance, Children’s Safeguarding <i>Issued 20 May 2014</i>	Draft	● Moderate	Set at Final
Family Recovery Service <i>Issued 15 May 2014</i>	Final	● Moderate	High 
Education Operational Services <i>Issued 30 April 2014</i>	Completed	Advice & Guidance	
Information Security - Part 2 <i>Issued 16 January 2014</i>	Draft	Moderate ●	Set at Final
2014/15 Plan			
Manchester Common Assessment Framework	Fieldwork	Set at Draft	Set at Final
SFVS 2014/15 <i>Issued 15 May 2014</i>	Final	Position Statement	Position Statement
Schools High Value Procurement	Completed	Advice and Guidance/ Training	
Free early education entitlement, funding assurance framework	Fieldwork	Set at Draft	Set at Final
Free early education entitlement, compliance	Fieldwork	Set at Draft	Set at Final

Schools

- 3.9 We issued the remaining school audit report from our 2013/14 audit plan as final early in the current audit year to Rack House Primary School and provided a substantial assurance opinion with a positive capacity to improve.
- 3.10 We have also completed the fieldwork and issued draft and then final reports for four School audits from our 2014/15 plan. We were able to provide three moderate assurance opinions (Birchfields, St James and Lily Lane) and one substantial opinion (St Joseph’s) all with a positive capacity to improve. We have also completed the draft report for the audit of St Chrysostom’s and have provided a moderate assurance opinion.
- 3.11 We have been engaged with the Local Authorities procurement team and Children’s Services Finance in developing a procurement guide to schools and have attended a number of the various Budget Support Providers quarterly Business Manager updates to present the new guidance and to discuss risks, issues and potential solutions around procurement in Schools.
- 3.12 The table below provides the progress status for the schools audit programme and opinions issued to date.

Audit Area – Planned	Audit Status	Assurance Opinion	Capacity to Improve
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Audit Area – Planned	Audit Status	Assurance Opinion	Capacity to Improve
2013/14 Plan (brought forward)			
Rack House Primary School <i>Issued 1 April 2014</i>	Final	● Substantial	High 
2014/15 Plan			
St Chrysostom's C of E Primary School <i>Issued 29 July 2014</i>	Draft	● Moderate	Set at Final
Birchfields Primary School <i>Issued 3 July 2014</i>	Final	● Moderate	High 
St James' C of E Primary School <i>Issued 4 July 2014</i>	Final	● Moderate	High 
St Joseph's RC Primary School <i>Issued 18 July 2014</i>	Final	● Substantial	High 
Lily Lane Primary School <i>Issued 17 July 2014</i>	Final	● Moderate	High 
St Dunstan's RC Primary School <i>Issued 1 August 2014</i>	Draft	● Moderate	Set at Final

Audit Recommendations and Exposure to Risk

- 3.13 We actively follow up outstanding recommendations and report progress regularly to Directorate management. The percentage of significant, major or critical recommendations implemented is 55% which is a decrease from 60% at the end of March. This is against a target of 70%. The only outstanding recommendations are from reports that were issued in 2013 and 2014. Given management focus on the recent OFSTED inspection it is perhaps to be expected that we have seen a decline in confirmation of implementation in recommendations with a focus on other priorities, however the lack of progress overall remains disappointing.
- 3.14 For schools the percentage of significant, major or critical recommendations implemented was 44% which was a decrease on 55% reported in the last quarter. There are an additional 12% considered partially implemented and therefore we consider there is reasonable evidence of actions taken to mitigate identified risk but there is more work to do. Despite the overall disappointing implementation rate there were some individual examples of progress being made in reducing the exposure to risk. There were five

Schools (Holy Trinity, St Ambrose, St Mary's Moston, Loreto High School and St Francis) where all remaining recommendations have been fully implemented during the quarter which means a significant reduction in the exposure to risk at those schools. Progress has also been made in reducing the exposure to risk at Higher Openshaw Primary School where six out of 16 significant or higher risk recommendations are fully implemented and a further seven partially implemented.

4 Corporate Core

Performance Division

2013/14 Audits

- 4.1 We issued a final position statement on our work on the 2013/14 Annual Governance Statement (AGS) giving substantial assurance over the process to produce it. We commented positively on the robust and evidence-based process supporting reported assurances, and on the effective work of new officers administering the process to understand and assimilate requirements quickly to produce a draft AGS in line with key milestones. We proposed that a more accessible format could be considered for future Statements, with the aim of increasing the currently low external readership. Corporate Performance will consider producing a plain English summary of governance arrangements that is more easily accessible to residents for inclusion in other documents residents might access, such as next year's Annual Report.
- 4.2 Planned work on Troubled Families data quality was put back due to the implementation of iBase, which will be the central data repository, analysis tool and access point for Troubled Families data. The system is now due to be operational by September and we will work with the Team to ensure testing confirms consistency of output with existing Excel spreadsheet based data.

2014/15 Audits

Corporate Performance

- 4.3 We have discussed with Corporate Performance the approach to the 2015/16 business planning framework. A light touch review of arrangements was carried out as part of the annual review and a number of proposals were being consulted on. Proposals have now been developed for consideration and draft business planning guidance was submitted to SMT Transformation early in September, with the aim of agreeing the process in time to start business planning by the end of October. We will continue to monitor progress and provide input over the development of guidance and a planning template.
- 4.4 We have completed testing of our data quality programme audit of Corporate Performance's role in assessing and addressing data quality in key systems. Testing was originally focused on the ONE system, MiCare and iBase and was delayed due to involvement of key staff in the recent Ofsted inspection. Testing on ONE will support roll out of v4.0 and specific activity has yet to be agreed. In addition, iBase roll out was not sufficiently advanced to be included

in our testing at this time although we plan to carry out checks on data between the current system and iBase later in the year as part of our certification work. We are also considering direct contact with relevant business managers to ensure historical data issues are addressed. Our findings will provide assurance over the impact of this activity in terms of ensuring that accurate data supports performance management reporting.

- 4.5 We satisfactorily certified quarterly Troubled Families payment by results claims for March and June by the claim submission dates. Several minor issues were raised on the June claim leading to a small reduction in the amount claimed, and we have asked the Team to consider how they might prevent future occurrences.

City Solicitors

- 4.6 We have conducted initial meetings with officers from Libraries and Registration and Coroner's Services to discuss arrangements for transferring historical registers from Heron House to the Central Library. We have also commented on the removal contract specification and project initiation document. We will attend meetings of the project board, which will start in early September, to ensure that we can provide ongoing input to the process to provide assurance over the safety and security of documents during the transfer, scheduled to take place in October.

HR/OD

- 4.7 We are about to start testing on our audit of the quality of workforce data on SAP, which will focus on completeness and accuracy of personal data about staff and the effectiveness of the HR data quality exercise in improving data on organisational structures. Data to be tested will include contact details, qualifications and ethnic monitoring information, and to inform our testing we will consider writing to a sample of employees asking for confirmation of its accuracy.

Communications and Customer

- 4.8 We completed the certification of the annual grant claim for the BDUK superfast broadband connection voucher scheme and confirmed compliance with grant conditions. We have also advised on the extension of the Council's scheme management to other Authorities and on the Department for Culture, Media and Sport's introduction of pre-registered packages which are to be administered by service suppliers. We will undertake further work, including visits to premises, to provide direct assurance over the eligibility and validity of applicants, although this will depend on the extent of scheme take up.
- 4.9 We were asked to undertake, at short notice, a review of the SMARTiP grant claim, a requirement of the funding agreement with the European Commission. We produced a report for the Head of Manchester Digital Development Agency within agreed timescales for submission alongside the claim. While we were satisfied overall with compliance with eligibility requirements we have referred an issue to the European Commission to decide on the eligibility of a significant spend on equipment which had been

funded by New Economy.

- 4.10 We satisfactorily certified grant claims for two projects in the ERDF Interreg programme: ONE and Green IT Net and found no issues.
- 4.11 We are planning our audit of M4 secure printing and have walked through the process with managers with a view to testing later in September. Printing is undertaken with Greater Manchester Police at their Lawton Street site as part of a collaborative working arrangement, although some is still carried out at the Town Hall. Our testing will focus on the effectiveness of controls to ensure the secure processing and production of sensitive documents.

ICT


- 4.12 We recognise that ICT continues to be an area of focus for the Council and that ICT Management continue to provide various updates and reports to Finance Scrutiny Committee, SMT and the ICT Board. The next seven months are critical to ICT given its requirement to deliver a number of key infrastructure projects, some of which have been in delivery for a number of years. Delivery of these is essential to support ICT's overall aim of providing a resilient ICT infrastructure with adequate performance levels that support all users in the delivery of their day to day work, including and mobile working requirements. The scale of the work required to delivery these projects cannot be underestimated and ICT are currently reviewing the scope of each, funding, capacity requirements and the interdependencies of each project. We are meeting with ICT management in October to determine how best we can provide both a challenge and supportive audit role over the next six months with this programme of activity. The audit programme will be amended accordingly and plans notified to Audit Committee.
- 4.13 Given the criticality of successful ICT delivery over the next seven months, the Head of Internal Audit is a member of a number of key ICT boards, including the Public Service Network (PSN) Board, Digital Workplace Strategy (DWS) Board, Corporate Core ICT Board and MiPeople Board and provides ongoing support and advice to these projects.

Corporate Services

- 4.14 Findings from recent probity reviews of overtime, expenses and acting up payments have been discussed with relevant officers and issues identified, where appropriate, are being fed into the ESS/MSS project. As a result of our findings on expenses we undertook further testing of a number of claims. This work is currently ongoing. Whilst still ongoing, the key themes being identified from this testing were that managers were approving claims that did not contain sufficient information without any form of challenge.
- 4.15 In our review of ID Badge Management we provided moderate assurance and noted that the scheme had been successful in supporting the return of staff to the Town Hall Extension. However the report did note that as the Town Hall Extension identity badge scheme had now been adopted as the Council wide ID scheme, it was essential that appropriate staff resources were identified to support the successful operation of the ID Badges for all of the Council.

4.16 The table below lists planned audit assignments for the Corporate Core and their status for 2014/15 along with remaining work finalised from 2013/14.

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
2013/14 Plan (brought forward)			
Troubled Families – Data Quality in Performance Framework	Deferred	To be delivered as part of 2014/15 work iBase implementation	
Annual Governance Statement 2013/14 <i>Issued 30 May 2014</i>	Final Position Statement	● Substantial	High ↑
Delivery of Savings – Assumptions & Risk <i>Issued 14 April 2014</i>	Final	● Moderate	Not assessed
Welfare Provision Scheme <i>Issued 1 May 2014</i>	Final	● Substantial	Not assessed - compliance review
Appeals and Discretionary Payments (CTSS) <i>Issued 4 April 2014</i>	Final	● Substantial	Not assessed - compliance review
Core Financial Systems – Benefits Administration <i>Issued 8 April 2014</i>	Final	● Full	Not assessed – compliance review
Core Financial Systems – Business Rates <i>Issued 23 April 2014</i>	Final	● Full	Not assessed - compliance review
Core Financial Systems – Creditor Payments <i>Issued 7 April 2014</i>	Final	● Substantial	Not assessed - compliance review
External Connections to the Council Network <i>Issued 27 June 2014</i>	Final	● Limited	Not assessed
SAP Access <i>Issued 25 July 2014</i>	Final	Advice and Guidance N/A	Advice and Guidance N/A
One Time Vendor <i>Issued 11 August 2014</i>	Draft	Set at Final	Set at Final
Revenue Framework Contracts <i>Issued 26 August 2014</i>	Draft	Set at Final	Set at Final
2014/15 Plan			
Corporate Performance			
Troubled Families – Quarterly Grant Certification (Jan-Mar 14) <i>Certificate signed 16 May 2014</i>	Compliance Certificate	N/A	

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Troubled Families – Quarterly Grant Certification (Apr-Jun 14) <i>Certificate signed 20 August 2014</i>	Compliance Certificate	N/A	
Data Quality Programme - Data Cleansing	Fieldwork	Set at Draft	Set at Final
Business Planning Process 2015/16	Planning	Set at Draft	Set at Final
HR/OD			
Workforce Data	Fieldwork	Set at Draft	Set at Final
Communications, Customer and ICT			
BDUK Connection Vouchers – Annual Grant Certification <i>Issued 30 May 2014</i>	Final	● Full	High 
Public Service Network (PSN) Code of Connection Certification <i>Certificate signed 30 June 2014</i>	Compliance Certificate	N/A	
SMARTiP - Grant Certification <i>Report published 13 July 2014</i>	Compliance Certificate	N/A	
Interreg Green IT Net: Six Month Grant Certification June 2014 <i>Certificate signed 25 July 2014</i>	Compliance Certificate	N/A	
Interreg ONE: Six Month Grant Certification June 2014 <i>Certificate signed 25 July 2014</i>	Compliance Certificate	N/A	
M-Four - Secure Printing	Planning	Set at Draft	Set at Final
Solicitors			
Registrar's – Move of historical Registers to City Library.	Planning	Set at Draft	Set at Final
Corporate Services			
Treasury Management <i>Issued 16 July 2014</i>	Final	● Full	Not assessed
ID Badge Management <i>Issued 24 July 2014</i>	Final	● Moderate	Not assessed
Carbon Reduction Commitment Grant Certification <i>Certificate signed 29 July 2014</i>	Compliance Certificate	N/A	
Overtime Probity Analysis <i>Issued 25 July 2014</i>	Final	● Substantial	Not assessed

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Acting Up Probity Analysis <i>Issued 4 August 2014</i>	Final	● Moderate	Not assessed
Budget Setting <i>Issued 14 August 2014</i>	Final	● Full	Not assessed
Expenses Probity Analysis <i>Issued 26 August 2014</i>	Final	● Limited	Not assessed

Audit Recommendations and Exposure to Risk


- 4.17 The overall percentage of Critical, Major or Significant recommendations implemented is reported for inclusion in the Council's Performance Management Report. The percentage is 51% against a target of 70% which continues to reflect the position with outstanding ICT recommendations where actions are ongoing.
- 4.18 Continuing progress has been made with the two partially implemented recommendations from our audit of the monitoring and maintenance of Council social media accounts, and we now consider all recommendations to be implemented. Acceptable use and employee policies were agreed by CIARG and went to Personnel Committee in July for ratification and the Leaver's form was amended to include related responsibilities.



5 Directorate for Families, Health and Wellbeing

- 5.1 The Internal Audit Plan for 2014/15 was approved by Audit Committee in July 2014 and allocated 250 days of audit activity across the Families, Health and Wellbeing Directorate.
- 5.2 We issued the final report in relation to Social Work Assessments and gave moderate assurance over the effective completion of adult assessments and reassessments. We identified three key issues which precluded a substantial assurance opinion: the need to strengthen the assurance processes; the need to clearly evidence customer engagement and agreement with assessments; and the appropriateness of the Resource Allocation System for Learning Disability cases. The first two of these had been identified by management and actions proposed, however until we are able to assess the effectiveness of the work to address these issues we are unable to provide an improved assurance opinion.
- 5.3 The draft report in relation to the Casework Management Adults Safeguarding 2013/14 issued in July gave moderate assurance that the case management of adult safeguarding incidents was dealt with in accordance with approved policies and procedures. Although we were satisfied there had been year on year progress within the Directorate to improve the standard of recording there were still a number of areas that require improvement, particularly around the management assurance process. We were concerned that the timeliness of activity and recording had deteriorated from our last review of

this area in 2011/12. Notwithstanding this, the latest findings indicated that those Social Workers who had embraced the changes and improvements made over the last few years, including engagement with the Safeguarding Team, had continued to improve standards of recording. Accordingly we found that in a sixth of the cases we examined the recording of activity was very good with clear examples of best practice.

- 5.4 The Mental Health Contract Monitoring report was issued in July. This provided management with moderate assurance over the effectiveness of the Council’s existing monitoring arrangements for the commissioning of social care services by the Trust. There were two key omissions which prevented an improved assurance opinion, specifically the delayed implementation of a quality assurance process to assist with known performance issues within the Trust and also the need to make better use of performance information to help identify how to improve services. Linked to this work fieldwork has commenced in relation to the Approach to Mental Health Commissioning which will provide assurance over the planned approach to commissioning and delivery of adult mental health services moving forward.
- 5.5 The first phase of the 2014/15 work in relation to Safeguarding Compliance for the Mental Health Trust (the Trust) was completed in June and an Advisory Report subsequently issued. This was a collaborative piece of work with the Trust’s auditors, Mersey Internal Audit Agency. We identified a small number of system improvements needed specifically in relation to the quality assurance and reconciliations processes. Fieldwork in relation to the second phase of work has commenced; this will assess compliance and provide assurance over the safeguarding systems and processes in place. We anticipate a draft report will be issued at the end of September 2014.
- 5.6 A draft report for the Medications Management audit was issued in August. The work has focused on the arrangements for the management of medication for service users within supported living network properties. We anticipate the final report will be issued shortly.
- 5.7 Fieldwork has been completed in relation to the Approach to Mental Health Commissioning. The draft report should be issued in September.
- 5.8 Fieldwork has commenced in relation to both the Learning Disabilities – Support Plan Casework and Mental Capacity Assessments audits. Work will continue in relation to these areas during September.

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
2013/14 Plan (brought forward)			
Social Work Assessments (Adults) <i>Issued 23 April 2014</i>	Final	● Moderate	High 
Mental Health Contract Monitoring	Final	● Moderate	High

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
<i>Issued 10 July 2014</i>			
Casework Management – Adult Safeguarding 2013/14 <i>Issued 11 July 2014</i>	Final	● Moderate	 Medium
Delegated Decision Making	Completed	Advice and Guidance	
2014/15 Plan			
Audit Advisory Report – Safeguarding Compliance (MMHSCT) Phase 1 <i>Issued 19 June 2014</i>	Final	Short Report	Short Report
Medications Management (Adults – Learning Disabilities) <i>Issued 14 August 2014</i>	Draft	● Moderate	Set at Final
Approach to Mental Health Commissioning	Fieldwork Complete	Set at Draft	Set at Final
Safeguarding Compliance (MMHSCT) Phase 2	Fieldwork	Set at Draft	Set at Final
Learning Disabilities – Support Plan Casework	Fieldwork	Set at Draft	Set at Final
Mental Capacity Assessments	Fieldwork	Set at Draft	Set at Final

Audit Recommendations and Exposure to Risk

- 5.9 The current percentage of significant, major or critical recommendations implemented is 55% which is an increase on 51% from last period. We are also assured that progress has been made on a further 10% of the recommendations which are therefore considered partially implemented. We consider there is positive evidence of actions taken to mitigate identified risks but in some cases action has been slower than had originally planned.
- 5.10 We have referred one significant recommendation in relation to the review and update of safeguarding procedures (Casework Management Adults Safeguarding 2012) back to management. This is due to the elapsed time since the implementation date was agreed. We are aware that work in this area is ongoing and progressing with partner organisations. Whilst management anticipate this action will be completed by September we will no longer monitor progress on this.
- 5.11 For the same reason we have written back five recommendations (four of which were identified as significant priority) in relation to the Cash Handling –

Resource Centres audit. The review of day service provision has enabled progress to be made with the reduction in the number of imprest accounts being used within Resource Centres. We acknowledge that changes in structure, personnel and roles and responsibilities may have contributed to delays in further progress being made. The centralisation of the Business Support function and planned roll out of the Hub Model across localities will enable improvements to be made in terms of standardisation and improved management scrutiny.

6 Growth and Neighbourhoods

- 6.1 The audit plan for 2014/15 provided 315 days for audit work within Growth & Neighbourhoods.
- 6.2 We have concluded five audits brought forward from the 2013/14 audit plan, with final reports having been issued on four of them: Heaton Park; Grant Payments Probity NDT Performance Management; and Regeneration Service & MAP Planning Process.
- 6.3 For Heaton Park, our recommendations for improvement were related to record keeping and performance information to evidence the positive working practices established.
- 6.4 In our work on NDT Performance Management we were assured that locally shared expectations had been established in relation to reactive casework, however managers had recognised a number of weaknesses within the existing system and had established a project to review and address these. Our recommendations focused on the requirement from managers to establish a citywide forum for performance monitoring, and to improve the consistency of information recorded in relation to proactive and reactive work undertaken.
- 6.5 We gave substantial assurance over the planning process adopted by Regeneration Area Teams in our review of the Regeneration Service and MAP Planning Process. This was based on a sound system to collate and evaluate projects with a clear link to the vision in the Manchester Strategy supported by a robust process for the management and development of regeneration activities.
- 6.6 A draft report was issued in respect of the Capital Payments audit providing moderate assurance based on inconsistency in both format and content of project files. We also identified instances where evidence retained to support payment was not complete. We anticipate finalising this audit by the end of September.
- 6.7 We gave substantial assurance that individual grant payments administered by G&N were well controlled in line with operational procedures. We acknowledged ongoing activity at a corporate level to improve controls in this area which includes workshops with internal stakeholders to explore risk and appropriate verification processes.
- 6.8 In line with requirements we have certified the spend in relation to the National

Trading Standards Board, New Growth Point and DfT Highways Capital Funding grants for 2013/14. There were no issues arising. We are currently working on the Decent Homes and URBACT CSI Europe grant certifications, to be completed by the end of September.

- 6.9 Following issues arising related to the effectiveness of income collection from a communal heating scheme we have completed a review of the system over management of income. This is at evaluation stage.
- 6.10 An audit of appointment and selection of contractors through the North West Construction Hub is currently underway and we have fed back some initial findings managers where we consider improvements could be made including the completeness of records. A draft report will be issued to management shortly and we will explore other ways in which further audit work may support management assurances in the area.
- 6.11 Grant certification work has been completed to fieldwork stage for DfT Highways Capital Funding Grant related to four grants totalling £4.7m; and for Decent Homes Grant for £10m, to enable certification of the grant spend against grant conditions. We have also started work to confirm compliance with grant conditions for the URBACT CSI Europe Grant in respect of spend from January-June 2014.
- 6.12 We have also provided support to managers in respect of Premises Licensing, where we provided guidance over the developing arrangements in this area including specification requirements for the cost model.
- 6.13 We are actively engaged with the tender of the waste collection contract which is progress in line with target dates. We are working with the Risk Manager who is supporting the tender exercise and will consider other assurance work required with the business as appropriate.
- 6.14 Audit progress and status

Audit Area - Planned	Audit Status	Assurance Opinion	Capacity to Improve
2013/14 Plan (brought forward)			
NDT Performance Management <i>Issued 15 May 2014</i>	Final	● Substantial	High ↑
Heaton Park <i>Issued 27 May 2014</i>	Final	● Moderate	High ↑
Regeneration Service and MAP Planning Process <i>Issued 11 June 2014</i>	Final	● Substantial	Not assessed
Grant Payments Probity <i>Issued 13 June 2014</i>	Final	● Substantial	Not assessed
Capital Payments	Draft	● Moderate	Set At Final

<i>Issued 19 June 2014</i>			
2014/15 Plan			
Premises Licensing Cost Model – Advice & Guidance <i>Issued 29 July 2014</i>	Completed	Advice & Guidance	
North West Construction Hub	Fieldwork	Set at Draft	Set at Final
Communal Heating Income Management	Fieldwork	Set at Draft	Set at Final
Indoor Leisure - Contract Re-Tender	Planning	Set at Draft	Set at Final
Waste Levy – Cost Validation Process	Planning	Set at Draft	Set at Final
Waste & Recycling – Contract Re-Tender	Planning	Set at Draft	Set at Final
Grant Claim Certification: NGP <i>Certificate signed 12 June 2014</i>	Compliance Certificate	N/A	
Grant Claim Certification: NTSB <i>Certificate signed 27 May 2014</i>	Compliance Certificate	N/A	
Grant Claim Certifications: DfT Highways Capital Grants	Fieldwork	N/A	
Grant Claim Certification: Decent Homes Backlog Fund	Fieldwork	N/A	
Grant Claim Certification: URBACT CSI Europe (ERDF) – Jan-Jun 14	Fieldwork	N/A	

Audit Recommendations and Exposure to Risk

- 6.15 The percentage of significant, major or critical recommendations implemented is 36% which is an increase on the last quarter performance of 25% but lower than the target of 70%. All recommendations arising from our March 2013 audit of Taxi Licensing have now either been fully implemented or superseded, following the publication of proposed fee amendments. The public consultation period closed on 4 September and responses received are now being considered. Barriers to implementation of the remaining recommendations include the delay in implementing a new Highways IT system and a delay with development of a Private Sector Housing Strategy and action plan but there has been work toward developing this and a draft is expected soon. We continue to monitor progress with management.

7 Anti-Fraud and Investigations

- 7.1 We have allocated 390 days to anti fraud work for 2014/15 including 210 days for reactive investigations. The key priorities for this year together with details

on reactive case load and proactive work were presented to Audit Committee in July as part of the annual fraud report.

Proactive

- 7.2 Preparation work has commenced for the 2014 National Fraud Initiative data matching exercise designed to help prevent and detect fraud, overpayment and error. This involves ensuring that fair processing notices are published and that data held by the Council is downloaded in October to inform the matching process. Internal Audit will lead on the delivery of this across the Council and Local Authorities are being encouraged to participate in the full range of matching activities some of which were piloted last year.
- 7.3 DCLG invited Local Authorities to submit project proposals for funding that will result in financial savings through effective counter fraud activities. Manchester developed and submitted a bid jointly with GMCA and Bolton Council for funding to strengthen capacity and increasing awareness and supported the development of a number of other joint bids involving AGMA authorities and Core Cities aimed at enhancing and developing training and skills; regional networking and proactive probity work. The submission deadline was 5 September.

Reactive

- 7.4 We have received 20 referrals of potential fraud, theft or other irregularity since April 2014. 12 of these were considered to be whistleblowing allegations made either anonymously or from a named source and were handled under the Council's whistleblowing policy and procedure.
- 7.5 Following risk assessment, some of the referrals received were investigated by Internal Audit and others were referred to colleagues in HROD or back to departments or school governors for action, with support provided by Internal Audit as necessary.
- 7.6 The descriptions of risk here are kept brief given the ongoing nature of Council and police investigations. This is required as revealing any related weaknesses in systems of control could increase the risks of crime being committed against the Council or partners. Key risks and issues arising in the period included Framework tender irregularities; potential collusion and corruption; Equality and discrimination issues; Poor management practices and impact on people and delivery; attendance and work pattern control and Cash IB verification.

8 Recommendation Implementation

- 8.1 Final Internal Audit reports issued include management action plans to address agreed recommendations to address exposure to risk. The effective implementation of these action plans within timescales determined by management is therefore essential. Internal Audit undertakes follow-up work on all recommendations with managers and reports progress to Directorates through the Council's performance management system.
- 8.2 At 30 June 2014 a total of 207 Internal Audit recommendations were being

monitored relating to Council activities, of which 189 were due to have been implemented and the rest had not yet reached their implementation due dates.

8.3 As part of the Council's Performance Management Framework, Internal Audit reporting focuses on critical, major and significant risks as these represent a greater overall risk. The position on implementation in respect of these categories of recommendation is shown below. Of 122 critical, major and significant priority recommendations 111 were due to have been implemented. On assessment we confirmed that 56 had been fully implemented or mitigated through other actions and a further 11 were considered to be to be partially implemented. After removing 15 recommendations superseded, rejected or referred back to management, 29 were outstanding and were being followed up with the business to assess risk and issues related to implementation.

8.4 The overall status of higher priority recommendations by Directorate is shown below.

Critical, Major or Significant Priority Recommendations by Directorate

Directorate	Number	Implemented	Partially Implemented	Superseded	Referred Back to the Business	Outstanding
Corporate Core	32	18	2	0	3	9
Children and Commissioning	20	11	1	0	0	8
Families, Health and Wellbeing	43	22	4	3	7	7
Growth and Neighbourhoods	16	5	4	2	0	5
Total	111	56	11	5	10	29

8.5 Internal Audit will continue to work with management to ensure that steps are being taken to manage identified risks and implement recommendations. Where necessary we will assess alternatives for action if the original recommendation is not feasible and will review timetables for implementation with management to ensure priorities can be addressed.

9 Conclusions

9.1 Members are asked to note the Internal Audit Assurance report to August 2014.