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**Manchester City Council  
Report for Information**

**Report To:** Audit Committee - 29 January 2015

**Subject:** Internal Audit Progress Report 2014/15

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

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**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 nine months to December 2014.

**Recommendations**

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

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**Wards Affected:**

All

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**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 - Nine Months to December 2014

### 1. Introduction

1.1 This report provides a summary of the work of the Internal Audit Section from April to December 2014. It reports progress toward delivery of the annual audit plan and 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 to agree actions.

### 2 Audit Programme Delivery and Implementation of Recommendations

#### Plan Delivery

2.1 The table summarises the outturn against the audit plan to date including audit reports and management letters and advice and guidance. 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.

Audit Status	Audit Plan Outputs	Additional and Contingency Items
Final Report Issued *	88	3
Draft Report Issued	8	1
Fieldwork Completed	8	
Fieldwork Started	10	3
Planned	32	1
<b>Total</b>	<b>134</b>	<b>8</b>
Cancelled / Deferred **	19	

\* Includes audits from 2013/14 finalised in 2014/15.

\*\* Cancelled includes some re-scoped work.

2.2 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 and additional audit work in some areas which has been 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.

### **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.
- 3.2 We await management responses for three audits published earlier in the year and as such no action plans have been agreed to address the issues reported. These are Delegated Decision Making; Quality Assurance Safeguarding; and Information Security Phase 2. This was reported to the Interim Strategic Director of Children's Services as part of an assurance briefing in December and we will work with her to reassess the exposure to risk and management actions proposed.
- 3.3 Audit work in relation to Free Early Education Entitlement (FEEE) progressed with a limited opinion provided in the compliance audit and a moderate opinion in the audit of capital monies. Both were given positive capacity to improve and action plans agreed. The third report in relation to the FEEE Assurance Framework has been issued as draft with a limited assurance opinion. We were satisfied that the Project Lead had identified the need to gain assurance over the arrangements in place with providers and management and staffing structures had been developed to support this. We found that some initial assurance visits to providers had been undertaken and reported on. However, these arrangements were new and there was no evidence that these had driven improvements in performance or compliance at providers, as reflected in the low levels of compliance with expected arrangements at a sample of providers we visited. There were also a number of other significant and major risk issues that we identified with the arrangements currently in place which prevented us from providing higher assurance.
- 3.4 We issued the Manchester Common Assessment Framework report as final. We provided a limited assurance opinion but with a positive capacity to improve. This was because management had developed a clear action plan to address a number of issues and the plan is to implement all improvement actions by the end of April 2015.
- 3.5 Based on the findings of the recent OFSTED inspection we aim to revise the scope of some planned work to better support the business in addressing risk. The audits cancelled are Social Care - Management Information and Reporting; Looked After Children & Child Protection Casework; and the Safeguarding Improvement Unit – Integration. We now propose assurance work related to the OFSTED Improvement Plan with a view to providing advice and guidance to support implementation of the agreed action plan. This will allow provision of independent assurance over actions taken to address the issues raised in the report and to offer guidance on key controls and risks where appropriate.
- 3.6 The following provides the status of audit work carried out and additional work

done along with opinions issued to date.

Audit Area – and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
<b>2013/14 Plan (brought forward)</b>			
Closing Residential Homes Phase 2 10 April 2014	Final	● Substantial	High
Centralised Placements Team 15 April 2014	Final	● Moderate	High
Primary Pupil Referral Unit 15 May 2014	Final	● Moderate	High
Delegated Decision Making 29 May 2014	Draft	● Moderate	Set at Final
Youth Offending Service - Commissioning 30 May 2014	Final	● Limited	High
Quality Assurance, Children's Safeguarding 20 May 2014	Draft	● Moderate	Set at Final
Family Recovery Service 15 May 2014	Final	● Moderate	High
Education Operational Services 30 April 2014	Final	Advice and Guidance	
Information Security - Part 2 16 January 2014	Draft	Moderate ●	Set at Final
<b>2014/15 Plan</b>			
Manchester Common Assessment Framework 9 Oct 2014	Final	Limited ●	High
Schools Financial Value Standard 2014/15 15 May 2014	Final	Position Statement	
Schools High Value Procurement	Final	Advice and Guidance and Training	
Free early education entitlement, compliance. 28 Oct 2014	Final	Limited ●	High
Free early education entitlement, capital. 11 Nov 2014	Final	Moderate ●	High
Free early education entitlement assurance framework	Draft	Limited ●	Set at Final
Adoption reform grant certification	Final	Signed Grant Certificate	Signed Grant Certificate
Commissioning of the Foster Care Framework	Fieldwork	Set at Draft	Set at Final

Audit Area – and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
Foster Care Framework, Delivery	Fieldwork	Set at Draft	Set at Final
Family Placements	Planning	Set at Draft	Set at Final
Education Operational Services, Statutory Assessment Team	Planning	Set at Draft	Set at Final
Manchester Education Alliance/ Strategic Education Partnership	Not started	Position Statement	
Alternative Provider Framework Contract, Secondary PRU	Not started	Set at Draft	Set at Final
Cross Cutting Schools - Pupil Premium	Planning	Set at Draft	Set at Final
Cross Cutting Schools - Information Governance	Fieldwork	Advice and Guidance	
Social Care OFSTED Improvement Plan	Not started	Set at Draft	Set at Final
Management Information and reporting, social work	Re-scoped	Not Applicable	
Safeguarding Improvement Unit-integration	Re-scoped	Not Applicable	
Looked After Children/ Child Protection Casework	Re-scoped	Not Applicable	

### Schools

- 3.7 We finalised reports for six schools during the quarter: Lancastarian; St Clement's; New Moston; St Bernard's; Broad Oak and Our Lady's primaries and were able to provide moderate assurance opinions and a positive capacity to improve for all six.
- 3.8 We carried out a health check for Chorlton Park Primary and Old Moat Primary where a significant number of recommendations from previous work had not been fully implemented. We agreed with the Executive Head for the two schools that a health check would enable him to obtain assurance over progress and target any outstanding matters as necessary. We gave a moderate assurance opinion for each school

3.9 The table below provides the progress status for the schools audit programme and opinions issued to date.

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
<b>2013/14 Plan (brought forward)</b>			
Rack House Primary School 1 April 2014	Final	● Substantial	High
<b>2014/15 Plan</b>			
St Chrysostom's C of E Primary School. 7 October 2014	Final	● Moderate	High
Birchfields Primary School 3 July 2014	Final	● Moderate	High
St James' C of E Primary School 4 July 2014	Final	● Moderate	High
St Joseph's RC Primary School 18 July 2014	Final	● Substantial	High
Lily Lane Primary School 17 July 2014	Final	● Moderate	High
St Dunstan's RC Primary School 12 Sept 2014	Final	Moderate ●	High
Lancastarian 24 Nov 2014	Final	Moderate ●	High
St Clement's C of E Primary 14 Nov 2014	Final	Moderate ●	High
New Moston Primary School 12 Nov 2014	Final	Moderate ●	High
Our Lady's RC Primary School 4 Nov 2014	Final	Moderate ●	High
Broad Oak Primary School 8 Nov 2014	Final	Moderate ●	High
Brookburn Primary School 7 Jan 2015	Draft	Moderate ●	Set at final
St Bernard's RC Primary School 1 Dec 2014	Final	Moderate ●	High
St Johns C of E Primary School	Fieldwork complete	Set at draft	Set at final
Old Moat and Chorlton Park 16 Dec 2014	Health Check Draft	Moderate ●	Set at final
St Matthews High School	Fieldwork complete	Set at draft	Set at final

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
St Aidan's RC Primary School	Fieldwork complete	Set at draft	Set at final
Chorlton C of E Primary School	Fieldwork	Set at draft	Set at final
Abraham Moss High School	Not started	Set at draft	Set at final

### Audit Recommendations and Exposure to Risk

- 3.10 The percentage of significant, major or critical recommendations implemented was 59% against a target of 70%. Progress has been made by the Centralised Placements Team in reducing the exposure to risk with one of the outstanding significant risks being fully implemented, the remaining two significant risks progressing to being partially implemented with further progress expected by the end of the audit year. In addition, all four moderate risks had been fully addressed. All three significant risks from the Direct Payments for Short Breaks audit have now been implemented with the exposure to risk previously reported in this area therefore also being significantly reduced.
- 3.11 For schools, the percentage of significant, major or critical recommendations implemented was 47%. There were six Schools (Charlestown, Manchester Federation, Mauldeth Road, Newall Green Primary, Old Hall Drive, SMILE Federation, The Grange) where all remaining recommendations had been implemented during the quarter and a further four Schools (Cavendish, Primary and Secondary Pupil Referral Units, All Saints) where significant progress had been made in reducing the exposure to risk with all recommendations either fully or partially implemented.
- 3.12 There were a number of schools where we either received no updates on progress or where updates provided no evidence of the exposure to risk reducing despite requests to Headteachers. We will prioritise these during quarter four and will seek to meet with management to either confirm implementation or seek assurance over the progress being made with implementation. We will update the Director of Education and Skills on the outcome of this work and agree further escalations as appropriate.

## 4 Corporate Core

### Performance Division

- 4.1 We continue to monitor with Corporate Performance activity to support the 2015/16 business planning framework. Directorate business plan drafts went to SMT Use of Resources and SMT Transformation in December, and final plans will be considered by Strategic Directors and Executive Members by the end of January for publication to Scrutiny Committees.
- 4.2 Through membership of the AGS Working Group Internal Audit contributed to the annual review of the Council's register of significant partnerships, including risk scores and self-assessments. Engagement with Link Officers has

improved, with the submission of fuller, better quality information at an earlier stage than previously. However, Link Officers' capacity varies so Corporate Performance now meet them for new partnerships and this has improved engagement with and understanding of the process. We will continue, through the Working Group, to promote and influence engagement.

- 4.3 We have discussed with managers emerging findings from our audit of Corporate Performance's role in supporting data quality in key IT systems, and will issue a draft audit report shortly. We will undertake testing on iBase later in the year as part of our Troubled Families work.
- 4.4 Resources allocated to audit the current Troubled Families programme were redirected to support implementation of the Troubled Families 2 expanded programme. We organised and hosted a workshop for GM District Internal Audit teams to determine their audit approach and represent GM at a DCLG meeting of high performing authorities to discuss and feed back on the new policy and claims process. TF2 introduced additional measures and judgement based criteria which are likely to require more audit time and resource to certify, and we will continue to advise on assurance requirements as systems are developed. In addition, we will shortly start our audit of decision making processes underlying the current programme, which will necessarily take account of developing TF2 arrangements. We certified the September Troubled Families payment by results claim by the submission date with no need for amendment.

#### City Solicitors

- 4.5 We completed our work on the transfer of historical birth, death and marriage registers from Heron House to Central Library, and gave 'full' assurance over the effectiveness of transfer arrangements. The successful transfer was effectively managed by the project board and steering group with sound project management, good planning and communication and timely action following decisions.

#### HR/OD

- 4.6 We have completed testing on our audit of the quality of workforce data on SAP, focusing on personal data about staff, and will issue a draft report shortly. Data tested included contact details, qualifications and ethnic monitoring information.
- 4.7 For the audits of 'Workforce Development Planning', 'Talent Management', 'Equalities Accreditation' and 'Digital Skills Strategic Framework' we do not propose full audits. There are changes proposed in respect of workforce planning arrangements and through attendance at the Skills Development Board we are sighted on and support these. Similarly through engagement in the ESSMSS Project we are sighted on the development of a talent management solution which will continue into 2015/16. We consider the other two areas to be low risk and whilst we will engage with management to ensure we are aware of developments we do not propose these areas be subject to full audits in the year. As such we will issue position statements at year end



and revisit workforce and development risks as part of our 2015/16 audit planning process.

#### Communications and Customer

- 4.8 We continue to provide assurance over the operation of the BDUK Superfast Broadband Connection Voucher scheme. We carried out a number of visits to successful applicants' premises to obtain direct assurance over the supply of services, and raised concerns over potential risks with landlord operated schemes. We also continue to monitor monthly updates on pre-registered package uptake and can provide substantial assurance over the Council's processes under this scheme.
- 4.9 We completed the audit of M4 Secure Printing audit, issuing a final audit report which gave substantial assurance over the secure processing and printing of sensitive documents. We made three recommendations designed to improve arrangements. Two, for improved written procedures and timely stock checks, are not yet due. A third, asking managers to check compliance with the requirement for Council staff to complete online information security training has already been implemented.
- 4.10 Our M4 Translation Service audit was due to start in December but as a key manager was not available we now expect to restart this work in March. We have reconsidered our approach to the audit of Events Risk Management and assurance will now be obtained by combining resources from Risk and Resilience and Health and Safety to evaluate how risk and public safety is managed at large public events.

#### ICT

- 4.11 Responsibility for strategic management of ICT was moved to the Deputy City Treasurer during the period and the Head of Internal Audit and Risk Management continues to liaise with the Deputy City Treasurer to determine how best to prioritise audit resources in ICT to support service improvement. There have been a range of issues and risks raised with audit in the period and a number of challenges for service delivery that remain critical to ICT given its requirement to deliver a number of key infrastructure projects. 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. As such our focus has been on support and investigation of key risks rather than operational audit work. To support the service moving forward, external, expert resources have been brought in and a working group including the Head of Audit and Risk Management, reporting to the Deputy City Treasurer, was established in December to assess the actions required moving forward and the means to progress them.
- 4.12 In our review of External Connections we were only able to provide limited assurance over the security of external connections to the Council's network as there is a lack of robust control in many aspects of the provision of these connections. The key reasons for this was that we found there was 765 users who connected externally to the Councils network who do not use two factor

authentication (2FA) and it was not clear if there is an on-going requirement for all of these 765 users to connect to the Council's network. In addition the exact number and business needs of VPN users was not known. Given the security incident in 2012 regarding an unauthorised individual accessing the Councils network and systems externally, it is important issues identified in this report are addressed.

### **Corporate Services**

- 4.13 The annual programme of Core Systems audits is being progressed as planned. Fieldwork is complete on our audits of Council Tax and Business Rates and will be reported shortly. Of the remaining Core Systems, we will complete reviews of Income and Payments from January 2015. Due to a number of additions to the plan during the year we are proposing the remaining core systems compliance reviews are cancelled. We will undertake short reviews to confirm that there have been no material changes in the design of these systems and previous documented controls remaining place. We have discussed this approach with External Audit and will inform them of outcomes.
- 4.14 We met with the Head of Revenues Benefits and Shared Services, the Benefits Manager and External Audit to evaluate the plans for the introduction of risk based verification (RBV) of Housing Benefit claims and supported the proposal presented to the Audit Committee on 22 September. We have agreed to undertake further work on this initiative during its development and roll out in quarter four.
- 4.15 We concluded our work on payments made to One Time Vendors (OTV) in SAP. We confirmed that all payments we reviewed were legitimate, in terms of whether a service or goods had been provided. However for some of the payments there was limited or no evidence in SAP supporting why the supplier had been paid as an OTV; whether a procurement process had taken place; or any evidence that due diligence checks had taken place on the supplier or bank account being paid. Due to the inherent risks associated with the use of OTV payments, around non compliance with financial regulations and procurement rules and greater opportunity for fraud, duplication and error we have proposed a number of immediate and long term recommendations to address these risks.
- 4.16 In our review of Revenue Framework Contract Management we highlighted that in the absence of any formal corporate overview of the operation of frameworks, clear guidance and training is required for framework contract managers. This is to ensure that frameworks are effectively managed, including oversight of the operation of the framework within the Directorate and there is transparency over the orders placed and expenditure incurred. This is particular pertinent given the recent dismissal of a contract manager for irregularities in the operation of a framework contract.
- 4.17 We have been working with the project manager leading the project to transfer the Council's banking arrangements and accounts from the Co-operative to Barclays. This involves transferring in excess of 800 accounts, in addition to a

number of other payment and receipting issues, including issued around cash flow. Our work involves reviewing the approach that is being taken to manage the process to ensure that the transfer is successful and the Council continues to be able to make payments and receive monies. We will review the proposed controls in this important area of finance are maintained and walk through a number of key income and payment transactions as part of the transfer of accounts.

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

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
<b>2013/14 Audit Plan (Brought Forward)</b>			
Appeals and Discretionary Payments (CTSS) 4 April 2014	Final	● Substantial	Not assessed
CFS – Creditor Payments 7 April 2014	Final	● Substantial	Not assessed
CFS - Benefits Administration 8 April 2014	Final	● Full	Not assessed
Delivery of Savings - Assumptions & Risk 14 April 2014	Final	● Moderate	Not assessed
CFS – Business Rates 23 April 2014	Final	● Full	Not assessed
Duplicate Payments Phase 2 (under £2k)	Final Report	Not assessed	
Grant Payments Probity 13 June 2014	Final Report	● Substantial	
<b>2014/15 Audit Plan</b>			
<b>Corporate Performance</b>			
Troubled Families – Quarterly Grant Certification (Jan-Mar 14) 16 May 2014	Compliance Certificate	Not Applicable	
Troubled Families – Quarterly Grant Certification (Apr-Jun 14) 20 Aug 2014	Compliance Certificate	Not Applicable	
Troubled Families – Quarterly Grant Certification (Jul – Sept 14) 30 Oct 2014	Compliance Certificate	Not Applicable	
Data Quality Programme - Data Cleansing	Fieldwork Completed	Set at Draft	Set at Final
Annual Governance Statement 2014/15	Fieldwork	Set at Draft	Set at Final
Business Planning Process 2015/16	Fieldwork	Set at Draft	Set at Final

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
Troubled Families 2 Expanded Programme: System Development	Fieldwork	Set at Draft	Set at Final
Public Sector Reform - Troubled Families Programme	Planning	Set at Draft	Set at Final
Social Care - National Reporting Framework	Cancelled	Not Applicable	
<b>HR/OD</b>			
ESS/MSS 2 Dec 2014	Complete	Advice and Guidance	
VS/VER Severance 4 Dec 2014	Final	Advice and Guidance	
Workforce Data	Fieldwork Completed	Set at Draft	Set at Final
Workforce Development Planning	Cancelled	Not Applicable	
Talent Management – System Development	Cancelled	Not Applicable	
Equalities Accreditation	Cancelled	Not Applicable	
<b>Communications and Customer</b>			
BDUK Connection Vouchers – Annual Grant Certification 30 May 2014	Final	● Full	High
SMARTiP - Grant Certification 13 July 2014	Compliance Certificate	Not applicable	
Interreg Green IT Net: Six Month Grant Certification (June 2014 ) 25 July 2014	Compliance Certificate	Not applicable	
Interreg ONE: Six Month Grant Certification (June 2014) 25 July 2014	Compliance Certificate	Not applicable	
Interreg Green IT Net: Six Month Grant Certification Dec 2014	Planning	Set at Draft	Set at Final
M-Four - Secure Printing 5 Dec 2014	Final	● Substantial	High
M-Four Translation Service	Not started		
Events Risk Management	Deferred	Not applicable	
Digital Strategy - Delivery of the Digital Skills Strategic Framework	Cancelled	Not applicable	

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
<b>City Solicitors</b>			
Registrars – Move of historical Registers to City Library 14 Nov 2014	Final	● Full	High
<b>Corporate Services</b>			
Welfare Provision Scheme 1 May 2014	Final	● Substantial	Not assessed
Revenue Framework Contracts 17 Oct 2014	Final	Not assessed	
One Time Vendors 20 Oct 2014	Final	● Moderate	Not assessed
Capital Payments - Final Accounts. 5 Nov 2014	Final	● Moderate	Not assessed
CFS -Treasury Management Issued 16 July 2014	Final	● Full	Not assessed
ID Card Management (Town Hall Extension) 24 July 2014	Final	● Moderate	Not assessed
Overtime Probity Analysis 25 July 2014	Final	● Substantial	Not assessed
Carbon Reduction Commitment Grant. 29 July 2014	Compliance Certificate	Not applicable	
Acting-Up and Honorarium Payments Probity Analysis 4 Aug 2014	Final	● Moderate	Not assessed
CFS - Revenue Budget Setting 14 Aug 2014	Final	● Full	Not assessed
Expenses Probity Analysis 26 Aug 2014	Final	● Limited	Not assessed
Expenses Probity Analysis - Follow Up. 17 Sept 2014	Final	Advice and Guidance	
ICO Day and Night Time Security Visits. 30 Sept 2014	Final	Not assessed	
CFS – Payroll Compliance 14 Nov 2014	Final	● Substantial	Not assessed
Weekly Fees Payroll - Process Review. Dec 2014	Final	Advice and Guidance	
CFS - NNDR Compliance	Fieldwork Completed	Set at Draft	Set at Final
CFS - Council Tax	Fieldwork Completed	Set at Draft	Set at Final
Change of Bank - Co-op to Barclays	Fieldwork	Advice and Guidance	

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
CFS - Income Management (Non SAP)	Planning		
CFS - Payments ( Non SAP)	Planning		
Housing Loan Related Transaction	Not Started		
Revenue Procurement	Not Started		
Fixed Assets	Not Started		
Savings Identification and Delivery	Not Started		
Risk and Assurance Mapping	Not Started		
CFS - General Ledger	Annual compliance audits rescoped based on risk assessment and three years substantial assurance. Proposed short reviews to confirm no material changes in the design of these systems and the controls in place.		
CFS - SAP Income			
CFS - SAP Payments			
CFS - Budget Management and Monitoring			
CFS - Benefits Administration	Replaced by Risk Based Verification advice and guidance		
<b>ICT</b>			
External Connections to the Council's Network 27 June 2014	Final	● Limited	Not assessed
PSN CoCo Compliance 3 July 2014	Compliance Certificate	Not applicable	
SAP Access 25 July 2014	Final	Not assessed	
ICT: Leavers Processing 18 Nov 2014	Draft	Set at Final	Set at Final
ICT infrastructure Governance	Cancelled. Risk Assessment planned to determine targeted support. Current change in strategic management and review of priorities underway. Head of Audit and Risk engagement on strategic context and issues for ICT.		
Transfer of Email			
Approach to ICT Security			
Applications Review Framework			
Connection of Non Council Devices to the Network			
Internet Monitoring			
Single Sign On			

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
Internet Monitoring			

### **Audit Recommendations and Exposure to Risk**

- 4.19 The percentage of Critical, Major or Significant recommendations implemented is 41%. The low implementation is linked mainly to a number of ICT recommendations which require review to consider exposure to risk and what next steps are required.

## **5 Directorate for Families, Health and Wellbeing**

- 5.1 The Learning Disability Support Plan Casework draft report was issued in October and provided limited assurance over the arrangements for the casework management of support planning for adults with learning disabilities. Further work is required to strengthen the assurance processes utilising management information, and standards of evidencing service user agreement with support plans along with the absence of documented approval of changes to funding arrangements needs improvement. Management responses to the recommendations made have now been received following the recent appointment of the Head of Adult Social Work.
- 5.2 A final was issued and provided moderate assurance over compliance with arrangements for the delivery of mental capacity assessments in adult social care. Issues primarily centred on inconsistencies in the recording of assessment activity and decision-making and the need to strengthen the management assurance process. In terms of good practice, the Council has recently introduced a rolling programme of training for qualified social care staff regarding the requirements of the Mental Capacity Act and Code of Practice.
- 5.3 We completed an additional piece of work in relation to Adults Safeguarding in December 2014. This followed a request for assistance from the Head of Safeguarding regarding caseloads to identify omissions and delays in the management of safeguarding cases.
- 5.4 Fieldwork has recently been completed in relation to the Staff Deployment in Supported Living Accommodation audit, and is ongoing in relation to both Homecare Monitoring and Reablement. Planning has commenced in relation to Health and Social Care Integration and Management Information and Reporting – Social Work. We anticipate work will be completed on these areas by the end of March.

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
<b>2013/14 brought forward</b>			
Social Work Assessments -Adults 23 April 2014	Final	● Moderate	High
Mental Health Contract Monitoring. 10 July 2014	Final	● Moderate	High
Casework Management - Adult Safeguarding 2013/14 11 July 2014	Final	● Moderate	Medium
Delegated Decision Making	Completed	Advice and Guidance	
<b>Audit Plan 2014/15</b>			
Safeguarding Compliance (MMHSCT) Phase 1 19 June 2014	Final	Short Report	Short Report
Medications Management (LD) 26 Sept 2014	Final	● Moderate	Set at Final
Approach to Mental Health Commissioning 24 Oct 2014	Final	Position Statement	
Safeguarding Compliance (MMHSCT) Phase 2 29 Sept 2014	Final	● Substantial	Medium
Mental Capacity Assessments 7 Jan 2015	Final	● Moderate	High
Learning Disabilities – Support Plan Casework 29 Oct 2014	Draft	● Limited	Set at Final
Adults Safeguarding 18 Dec 2014	Final	Briefing Note	Briefing Note
Staff Deployment in Supported Living Accommodation	Fieldwork Complete	Set at Draft	Set at Final
Homecare Monitoring	Fieldwork	Set at Draft	Set at Final
Reablement	Fieldwork	Set at Draft	Set at Final
Health and Social Care Integration: Better Care Fund	Planning	Set at Draft	Set at Final
Management Information and Reporting - Social Work	Planning	Position Statement	
Manchester Equipment and Adaptations Partnerships - Contracts	Not Started	Set at Draft	Set at Final
Disclosure (DBS) and Barring Service / Vetting	Not Started	Set at Draft	Set at Final



Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
Public Health – Health Visiting Services	Not Started	Advice and Guidance	
Quick Access Services	Cancelled	Not Applicable	

### **Audit Recommendations and Exposure to Risk**

- 5.5 The current percentage of significant, major or critical recommendations fully implemented is 50%, which has decreased slightly from the previous quarter. We are assured that partial progress has also been made towards a further 14% of recommendations.

## **6 Growth and Neighbourhoods**

- 6.1 For Communal Heating Income Management we issued a draft report, providing limited assurance over the arrangements for identification, collection and recovery of prepayment income for communal heating schemes. Managers have responded positively to our recommendations for improvement and the final will be issued shortly.
- 6.2 Following HCA confirmation that the Decent Homes Grant Certification is now required from an external accountant it was arranged that Grant Thornton would carry out this work. This was completed in December and their opinion matched ours in confirming that the claim amount had been fairly presented and was supported by evidence of spend. In future this work will be done by External Audit.
- 6.3 We issued a draft report in relation to the Waste Disposal Levy Payments process. This gave substantial assurance over the arrangements for confirming the accuracy and timeliness of payments. We made one recommendation for improvement, to ensure that business continuity is maintained in the event of staff absence but otherwise the system was found to be robust
- 6.4 In the report of our work reviewing capital final accounts we were satisfied that final account submissions were subject to scrutiny and challenge but there was a need to retain sufficient documentation on file to support the agreed final account figure. We also identified issues around the current cost model for pricing works and instances where work began on projects significantly in advance of the client agreeing the cost. A Programme Management Office that is proposed to be introduced and a wider review of the service being undertaken by the Director of Capital Programme and Property should address the issues we raised.
- 6.5 As additional work we were asked to support the process for the procurement alongside Network Rail of a development partner for the Oxford Road Station. We attended meetings of the procurement group, observing and providing audit opinion on the evaluation and selection of Pre Qualification Questionnaires and the process to develop the Invitation to Negotiate

application and assessment process. We will continue to provide support and will publish a short report and audit opinion at year end as well as considering the need for further involvement as part of our 2015/16 audit planning

- 6.6 We are working with the Taxi Licensing team to examine their existing business processes, particularly with regard to processing of new driver applications. Our objective is to suggest potential areas where processes could be revised to deliver a better quality service, reduce the likelihood of manual error or reduce processing timescales. We are also supporting the project team in exploring options for improving the existing system for determining the costs associated with issuing premises licences and will support the Environmental Health team in preparing for an external inspection by the Food Standards Agency.
- 6.7 There are two cancelled audits from the plan: the URBACT CSI Europe grant certification audit scheduled for the quarter (deadline for submission has been revised to June 2015) and the audit of Neighbourhood Regeneration Teams Performance Management because of the proposed integration of Neighbourhood Focussed Services across the directorate. We will explore the best way to support the business on this as part of regular assurance review with senior officers.

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
<b>2013/14 Plan – Audits Brought Forward</b>			
Capital Payments 5 Nov 2014	Final	● Moderate	Not set
Grant Payments Probity 13 June 2014	Final	● Substantial	Not set
Regeneration Service and MAP Planning Process 11 June 2014	Final	● Substantial	Not set
Heaton Park 27 May 2014	Final	● Moderate	High
NDT Performance Management 15 May 2014	Final	● Substantial	High
<b>2014/15 Plan</b>			
Premises Licensing Cost Model Development (Phase 1) 29 July 2014	Final	Not assessed	
North West Construction Hub 17 Dec 2014	Final	● Substantial	Short report
Income: Communal and District Heating Prepayment Schemes 15 Jan 2015	Final	● Limited	High
Interim and Final Management Order - Final Account 13 Jan 2015	Final	Advice and Guidance	

Audit Area and Issue Date	Audit Status	Assurance Opinion	Capacity to Improve
Waste Levy - Cost Validation 18 Dec 2014	Draft	● Substantial	Set at Final
Premises Licensing - Validation of Cost Model	Fieldwork	Set at Draft	Set at Final
Taxi Licensing - Review of Business Processes	Fieldwork	Set at Draft	Set at Final
Oxford Road Station Joint Procurement	Fieldwork	Advice and Guidance	
Indoor Leisure - Contract Re-Tender	Planning	Set at Draft	Set at Final
Parks	Planning		
Work Programme Leavers	Planning		
Citywide Support – Food Health Enforcement Approach	Planning		
Waste & Recycling – Contract Re-Tender	Planning		
Grant Claim: Decent Homes 7 Jan 2015	Certified	Compliance Certificate	
New Growth Point Grant 12 June 2014	Certified	Compliance Certificate and Report	
National Trading Standards Board Grant 27 May 2014	Certified	Compliance Certificate and Report	
DfT Highways Capital Grants 14 Oct 2014	Certified	Compliance Certificate and Report	
URBACT CSI Europe (ERDF) - June 2013 claim. 3 Nov 2014	Certified	Compliance Certificate and Report	
Clean City - Programme & Project Management	Not started	Set at Draft	Set at Final
Capital Contracts Block - risk based audit	Not started	Set at Draft	Set at Final
Neighbourhood Regeneration Teams - Performance Management	Cancelled	Not applicable	
URBACT CSI Europe (ERDF) December 2013 claim	Cancelled	Not applicable	

### Audit Recommendations and Exposure to Risk

- 6.8 The percentage of significant, major or critical recommendations implemented is 50% which is an improvement from the last quarter..

## **7 Anti-Fraud and Investigations**

7.1 We 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 We have completed preparation for the 2014 National Fraud Initiative data matching designed to help prevent and detect fraud, overpayment and error. Checks were made to ensure fair processing notices are in place for personal data and that the data sets were uploaded by due dates as required. The data matches will be released in February 2015 and Internal Audit will coordinate the required investigation work and reports provided on outcomes carried out by the business.

7.3 In December CLG confirmed that Manchester's joint bid with GMCA and Bolton Council for funding to strengthen capacity and increasing awareness had been successful. As a result we have been awarded £187K to develop the strategy and to pilot proactive counter fraud exercises. Work to finalise plans for this will be progressed this quarter with intentions to examine areas for potential collaborative working as well as localised projects.

### **Reactive**

7.4 In the period we logged twenty one referrals of potential fraud, theft or other irregularity. Eleven of these of these were considered to be whistleblowing allegations made either anonymously or from a named source and handled in accordance with the Council's whistleblowing policy and procedure. Whilst some of the referrals were investigated by Internal Audit, others were referred to colleagues in HROD or back to departmental management for review, with support provided by Internal Audit. They are at various stages of completion depending on complexity and issues arising.

7.5 The descriptions of risk here are kept brief given the ongoing nature of Council and some police investigations. Key risks and issues arising in the period included service delivery and management; contract management issues; procurement and payment irregularities and conflict of interests. The City Treasurer is kept abreast of any significant issues under investigation and a full report on nature and outcome of work will be provided to the Audit Committee in the Annual Fraud Report in the summer.

## **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. At 31 December 2014 a total of 247 Internal Audit recommendations were being monitored

relating to Council activities, of which 184 were due to have been implemented while the rest had not yet reached their implementation due dates.

- 8.2 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 148 critical, major and significant priority recommendations 109 were due to have been implemented. On assessment we confirmed that 53 had been fully implemented or mitigated through other actions and a further 12 were considered to be to be partially implemented. After removing 9 recommendations superseded, rejected or referred back to management, 35 were outstanding past the due date and were being followed up with the business to assess risk and issues related to implementation.
- 8.3 The overall status of higher priority recommendations due for implementation by Directorates 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	37	15	1	0	3	18
Children and Commissioning	22	13	3	0	0	6
Families, Health and Wellbeing	36	17	5	2	2	10
Growth and Neighbourhoods	14	8	3	2	0	1
<b>Total</b>	<b>109</b>	<b>53</b>	<b>12</b>	<b>4</b>	<b>5</b>	<b>35</b>

- 8.4 Internal Audit continue to work with management to ensure steps are 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 December 2014.