

**Manchester City Council
Report for Information**

Report to: Audit Committee – 26 January 2017

Subject: External Audit Recommendations Monitoring Report

Report of: City Treasurer and 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):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Implementation of External Audit Recommendations Monitoring Report – Audit Committee Report, 15 September 2016.

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 implementation of agreed external audit recommendations.

2. Progress of External Audit Recommendations

- 2.1 This report focuses on the recommendations where actions remained outstanding at the time of the last report in September 2016 (Appendix two). There has been satisfactory progress made in strengthening the controls in these three areas and they are now deemed to be implemented. The total number of recommendations made and their current status are shown in Appendix one.

3 Status Summary

3.1 *Objections to the Audit of Accounts 2011/12 Summary Report (issued September 2013)*

There were seven recommendations agreed as a result of this audit, six were reported as implemented in September 2016 and all seven are now implemented.

The third recommendation (high priority), which referred to the arrangements required to ensure that emerging legal issues relating to the cost allocation of license fees were continuously monitored has also been implemented. This was addressed with the introduction of a cost model that allowed taxi related fees to be set in a more robust manner, with an annual report to the Licensing and Appeals Committee. There are also regular reviews of legislation which provide a satisfactory level of awareness to identify and address all legal commitments.

3.2 *Audit Findings Report 2014/15 (issued September 2015)*

There were three recommendations agreed as a result of this audit, two were reported as implemented in September 2016 and all three are now implemented.

The third recommendation (medium priority), which referred to the Children's Services Improvement Programme Risk Register, related to updating the risk register focusing on risk scores and proposed actions. The updated register is scheduled to be reviewed regularly and includes highlighted risk areas with a likelihood and impact assessment along with mitigating actions. This recommendation is therefore now deemed to be implemented.

3.3 *Audit Findings Report 2015/16 (issued September 2016)*

There was one recommendation agreed relating to the Children's Services Directorate, around the development of the Performance Improvement Tracker (medium priority), which has been implemented.

The tracker includes the following: an executive summary; the trajectory of key indicators against targets; highlights trends and RAG rated fields. Management produce reports that provide assurance that improvements have been embedded within the service.

4 Conclusion

4.1 Progress has been made on the implementation of External Audit recommendations since September 2016 when the previous monitoring report was issued. We are satisfied that management have taken the necessary action to implement the remaining three recommendations.

4.2 We will liaise with External Audit in May 2017 in order to confirm if any recommendations have been made in the interim. The next monitoring report will be presented to Audit Committee in June 2017.

5 Recommendations

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

Appendix 1 – Recommendations made by External Audit and Exposure to Risk (January 2017)

Audit	Total agreed	Number of Recs now due for Review	Outstanding	Partially Implemented	Fully Implemented	% Fully Implemented
Objections to the Audit of Accounts 2011/12 Summary Report	7	0	0	0	7	100%
The Audit Findings for Manchester City Council 2015	3	0	0	0	3	100%
The Audit Findings for Manchester City Council 2016	1	0	0	0	1	100%
Totals	11	0	0	0	11	100%

Appendix 2 – Recommendations with outstanding actions from September 2016

Audit	No	Recommendation	Priority	Management Response	Implementation Date
Objections to the Audit of Accounts 2011/12 Summary Report	3	The Council should review the position with regard to the differing interpretations of the relevant legal position to ensure, so far as possible in the absence of a court ruling, that the division of cost allocation for the purposes of licence fees, as between licence types but particularly in relation to drivers licences, is lawful. The Council should continue to monitor and respond to any emerging legal issues and clarification in this field.	High	The costing and fees project includes representation from Legal Services, as the External Auditor acknowledges in paragraphs 15 and 16 this is widely recognised as an area of complexity and uncertainty where legislation is open to interpretation, so the approach to cost determination and fee setting will also have regard to relevant legal opinions. The project will ensure the correct allocation of costs to licence types based on the Council's interpretation of legislation and relevant court rulings. On an ongoing basis, emerging legal issues will be considered as part of recommendation 7 below.	30 November 2013
The Audit Findings for Manchester City Council 2015	3	Develop the Children's Services Improvement Programme Risk Register to include the likelihood and impact assessments, risk scores, proposed actions and review dates for all risks identified for inclusion on the Register.	Medium	The current improvement plan and tracker have recently been updated and a revised risk register is in development.	Ongoing

<p>The Audit Findings for Manchester City Council 2016</p>	<p>1</p>	<p>We recommend that management further develop the Children's Services performance improvement tracker reported to the Improvement Board, with consideration given to:</p> <ul style="list-style-type: none"> • Including a narrative Executive Summary, drawing attention to key indicators and trends and to significant management actions being taken • Developing trajectories between current and target performance for key indicators such that attention can be focussed, and timely action taken, where performance improvement is at risk • Including a summary of performance improvements secured (and rated 'green') as an appendix, together with some assurance that improvements have been embedded within the service. 	<p>Medium</p>	<p>The improvement board is independently chaired and there are plans to review the Performance Improvement Tracker which does have a RAG rating against all activity; therefore this recommendation can be considered within that review. Notwithstanding this there are robust arrangements within Children's Services that track performance / quality assurance across a wide range of activity; that is greater than the Improvement Board / tracker. This arrangement / system gives due regard on a monthly basis to trends, trajectories, management action and is summarised in a number of annual reports / returns that are reported to SMT / O&S for children and informs future target setting for the service.</p>	<p>Ongoing</p>
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