

**Manchester City Council
Report for Information**

Report to: Audit Committee - 6 March 2017
Subject: Internal and External Audit Recommendations
Report of: City Treasurer and Head of Audit and Risk Management

Summary

This report summarises the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

Recommendation

Audit Committee to note the 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.

Internal Audit reports to Audit Committee 2016/17

1. Introduction

1.1 At Audit Committee in January 2017 Members were advised of the detailed position in respect of outstanding, high priority internal audit recommendations. High priority represents those classified by Internal Audit as significant, major and critical. Members requested ongoing monitoring of outstanding recommendations made by both internal and external audit and in particular that, where agreed actions have not been implemented within nine months of the due date, that the relevant Strategic Director and Executive Member attend Committee to explain the reasons for this and proposed actions.

2. Process

2.1 Internal Audit follow up actions agreed in response to high priority recommendations made in both internal audit and external audit reports. Auditees are encouraged to provide updates as soon as agreed actions have been completed, but Internal Audit also follow up formally at least quarterly. As part of follow-up, managers are required to provide evidence to confirm implementation and Internal Audit may re-test systems and controls on a risk basis to provide assurance that agreed improvement actions have been implemented and are operating effectively.

2.2 Progress made in the implementation in internal audit recommendations is reported quarterly to Directorate Management Teams, Strategic Management Team and Audit Committee. Progress on external audit recommendations is reported half-yearly. The next formal review of recommendations is due in April 2017 and this will likely focus solely on internal audit as at this stage there are no external audit recommendations outstanding.

2.3 If recommendations are not implemented within 12 months of their due date, the approach taken by Internal Audit has been to refer risks back to Strategic Directors and report this position to Audit Committee. The approach does allow for some older recommendations to be monitored beyond 12 months if the agreed actions appear to be nearing completion or if further audit follow up work is planned. Following comments at Audit Committee in January 2017 this process has been revised. For any high priority recommendations over nine months overdue, Strategic Directors will now be advised to attend Audit Committee with the relevant Executive Member to explain the position and any actions being proposed to address or accept the reported risks.

3. Current Position

3.1 The position in terms of outstanding significant, major or critical internal and external audit recommendations has been updated from that reported to Audit Committee in January 2017 and is summarised below. Further details of all current, high priority outstanding recommendations are provided in appendix 1.

3.2 Nine recommendations referred to in the January 2017 report have since been confirmed as implemented. These relate to audits of:

- ASB Casework Management (January 2016)

- Revenue Framework Contracts(October 2014)
- Management Assurance: Supervisions (Children's Social Care) (October 2016)
- Emergency Duty Service (September 2016)
- Management Assurance: Children's Quality Assurance Framework (January 2017)

3.3 As a result of the actions confirmed on these audits, there are now 14 outstanding high priority recommendations. Of these seven are more than nine months overdue.

Overdue More than Nine Months (Appendix 1: Table 1)

3.4 Six of these relate to the Secondary Pupil Referral Unit (PRU) which is a school and therefore the Council and Strategic Director for Education and Skills have no direct control over the Governing Body or management team. Internal Audit have been advised by the PRU that actions have been taken to implement recommendations but they will not be formally closed until evidence has been confirmed. A follow-up audit has been scheduled for March 2017 subject to the PRU confirming agreement to proposed dates for this work

3.5 The other recommendation that has been outstanding for more than nine months relates to an audit of Parks Operational Management. In particular the recommendation was for operational procedures to be documented to support consistency and continuity of approach across the Service. Whilst agreed actions to develop an Operational Plan to support the Strategy have been confirmed as complete, the procedures have yet to be formalised. The Service had provided an update that additional resources have been secured to enable this work to be completed.

Overdue Less than Nine Months (Appendix 1: Table 2)

3.6 The remaining seven recommendations have been outstanding for less than nine months and relate to the following reports.

- Contract Management – Children's & Families (March 2016)
- ICT Incident Management (June 2016)
- North West Construction Hub, Performance Management Framework (March 2016)
- Capital Programmes and Property Financial Control and Fees Management (June 2016)

Of these, significant progress has been made in addressing challenging recommendations in ICT Incident Management and Internal Audit consider that these actions have significantly reduced the risks identified in the original audit.

4. Recommendations

4.1 Members are requested to note the current process and position in respect of high priority External Audit and Internal Audit recommendations and the actions taken to ensure updates are provided by Strategic Directors and Executive Members to future Audit Committees.

Appendix 1

Table 1: Recommendations overdue in excess of nine months

Audit Report (date issued)	No	Recommendation Summary
<p>Parks Operational Management (May 2015)</p> <p><u>Growth and Neighbourhoods</u></p>	1	<p>16 months outstanding</p> <p>Management originally agreed actions would be implemented by October 2015.</p> <p>This single recommendation relates to a review and cascade of parks procedures for management information. A Parks Strategy and Operational Plan have been developed and Internal Audit officers have been advised that changes to management reporting procedures have been made to reflect the change in structure and to make reporting more effective. However procedures are not yet documented to provide for continuity and consistency. When this is provided, subject to audit review of content and confirming that information flows from the Operational Delivery Teams, to the Strategic Delivery Group and then to the Park Strategy Group then this recommendation will be confirmed implemented.</p> <p>As at 24 February Internal Audit were advised that provision had been made to undertake this documentation through the appointment of a temporary staff member being recruited to the Parks Team. Timescales for this work to be concluded are to be confirmed.</p>
<p>Alternative Provider Framework Contract: Secondary Pupil Referral Unit (January 2016)</p> <p><u>Schools</u></p>	6	<p>Over 10 months outstanding</p> <p>Recommendations focused on framework contract arrangements, which were being redesigned to ensure decisions provided value for money. Agreed implementation of all recommendations was originally expected by April 2016.</p> <p>A written update was received from the PRU in September 2016, reporting that a number of changes had been made to their framework, records of placements, their Scheme of Delegation and procurement process. Whilst we have received assurance that actions have been taken we have not received evidence to be able to confirm that this is the case. Internal Audit officers have contacted the school to arrange a site visit to formally follow up actions and anticipate that this be completed in March 2017.</p> <p>It should be noted that the recommendations in the report were made to the PRU, which is a school, and as such the</p>

		Director of Education and Skills has no direct control over the PRU leadership or Governing Body.
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Table 2: Recommendations overdue between one and eight months

Audit Report (date issued)	No	Recommendation Summary
<p>Contract Management – Children’s & Families (March 2016)</p> <p><u>Children & Families</u></p>	2	<p>Two months outstanding</p> <p>Final report issued in March 2016 and broad deadlines for agreement to be reached with Procurement and ICT set for December 2016.</p> <p>Recommendations centred on expanding a SAP contracts module across the Council to help standardise contract recording arrangements. This was dependent on ICT Board approval and changes to governance arrangements.</p> <p>Progress has been delayed limited by a higher prioritisation of competing ICT projects including the SAP Business Planning and Consolidation project which was assessed and agreed by Corporate Core ICT Board as a higher priority project for SAP.</p> <p>As such this project is currently on hold pending agreement of current priorities and resources.</p>
<p>ICT Incident Management (June 2016)</p> <p><u>ICT Service</u></p>	3	<p>Two months outstanding</p> <p>Recommendations related to confirming arrangements for staff cover out of hours, business continuity planning and external hosting of critical documents. Positive progress has been made in all of these areas with some further actions required before these can be confirmed as complete.</p> <p>Out of hours service requirements have been assessed and internal ICT resources are in place for out of hours work. New suppliers are also required to confirm out of hours arrangements for new contracts and as part of contract renewal but it has not been possible to confirm this position in all contracts as that would incur financial penalties. As such this recommendation is largely complete.</p> <p>The ICT service’s own business continuity plan is in place but work is ongoing, with dependencies on the wider business and the Risk and Resilience Team to further formalise the prioritisation recovery requirements for all ICT services. This is a major piece of work that is underway with planned completion as part of a current refresh of business continuity plans scheduled for completion in June 2017.</p>

Audit Report (date issued)	No	Recommendation Summary
		<p>An external document hosting solution is in place with Microsoft for critical business continuity documents and plans. The Collaboration Project is adding to this capability and will be used for hosting of critical documents. This is also likely to be confirmed as complete in June 2017.</p>
<p>North West Construction Hub, Performance Management Framework (March 2016)</p> <p><u>Corporate Services</u></p>	<p>1</p>	<p>Five months outstanding</p> <p>The recommendation was for the Chair of the NWCH Board to ensure the vision, strategic objectives and expectations of the Hub are clearly defined and understood. Progress has been impacted by changes in Board membership and officers in the NWCH Team hosted by the Council.</p> <p>The Interim Director of Capital Programmes is now the Council's link on the Board and reports to the City Treasurer. The NWCH team met with Internal Audit in February to confirm implementation of three moderate priority recommendations and advised that they are considering the reprocurement of the Hub. They propose to engage with the Interim Director before the end of March 2017 to discuss the future vision and remit of the Board and the Hub.</p> <p>Internal Audit will follow up progress in April 2017.</p>
<p>Capital Programmes and Property Financial Control and Fees Management (June 2016)</p> <p><u>Corporate Services</u></p>	<p>1</p>	<p>Seven months outstanding</p> <p>The Interim Head of Delivery agreed to introduce standardised fee calculation and management processes across the Education, Placemaking and Highways functions of Capital Programmes. Highways is now a separate directorate and the recommendation forms part of the overall improvement programme for the Capital Programmes Division for completion in 2017.</p> <p>Progress with implementation has been delayed due to organisational changes which are ongoing, including the pending appointment of a permanent Director of Capital Programme and Procurement. Proposals for standardised fees have been developed so this recommendation is partly complete.</p> <p>Internal Audit will follow up further progress in April 2017.</p>