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**Manchester City Council  
Report for Information**

**Report to:** Audit Committee - 11 June 2018  
**Subject:** Internal Audit Outturn Report  
**Report of:** 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 Head of Internal Audit Annual Opinion.

This outturn report provides Members confirmation of the completion of work based on the agreed audit plan 2017/18 and subsequent agreed amendments to that plan.

Detailed reports on progress are provided quarterly to Audit Committee in year and a summary of assurances issued from March 2018 to end of June 2018 will be reported Committee to in July 2018.

**Recommendation**

Members are requested to consider the outturn of the Internal Audit Service.

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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 2017/18 (Audit Committee March 2017)
- Internal Audit Quarterly Assurance progress reports 2017/18 to Audit Committee
- Internal Audit Quarterly Recommendation Update Reports 2017/18
- Risk Review Item: Adults Assurance Update (Audit Committee March 2018)

- Review of Effectiveness of Internal Audit (Audit Committee March 2018)
- Head of Internal Audit Assurance Opinion (Audit Committee March 2018)

## 1 Introduction

- 1.1 This report provides a summary outturn of the work of the Internal Audit Section for the 12 months April 2017 to March 2018 and reflects completion of outstanding planned work in April and May 2018 from the 2017/18 Audit Plan where appropriate. Update reports including assurance opinions have been provided to Audit Committee during the year and have been shared with senior managers as part of the assurance programme. The next quarterly update report will be provided in July 2018.
- 1.2 The Head of Audit Annual Assurance Opinion was presented to Audit Committee in March 2018 and provided a moderate assurance opinion overall in relation to governance, risk and control.

## 2 Audit Plan Delivery

- 2.1 The following table provides a summary of the total number of audits provided in 2017/18 based on the approved audit plan and amendments agreed in the year. There were changes to the timing of some planned work and the addition of opinion or other assurance work at the request of management. Outputs included 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.
- 2.2 The analysis excludes most of the general advice and guidance provided to the business and involvement in working groups and projects as these are not captured in formal reports. Figures include completion of brought forward work in the first quarter as agreed with managers. The outcomes of audit work were shared with senior officers and Audit Committee during the year and a summary of key assurance is provided at section 4 below.
- 2.3 The approved Annual Audit Plan was substantially completed by the end of May with 103 audit reports issued, with eight in draft awaiting response from clients on action plans and these were being followed up with Children's Services and ICT.

Audit Status	Audit Plan Outputs	Additional and Contingency Items
Final Report Issued	99	4
Draft Report Issued	8	
Fieldwork Completed	6	
Fieldwork Started	1	
Planned	0	
<b>Totals</b>	<b>109</b>	<b>4</b>
Cancelled or Deferred	9	

2.4 The status of all work is shown at Appendix One and this includes a limited number of audit activities which were scheduled to be carried forward for completion into 2018/19 and remain on going in line with the rolling programme of audit activity. For confirmation the nine audits cancelled or deferred were as follows:

- Cancelled: Contract Management Performance Reporting. Positive assurance over progress obtained through ongoing engagement with procurement, commissioning, contract management colleagues and work overseen by Head of Strategic Commissioning.
- Cancelled: ICT Data Centre replacement. Positive Assurance obtained through separate review commissioned by the Chief Executive and overseen by Head of Audit and Risk Management.
- Cancelled: Mental Health Safeguarding. High level assurance obtained through ongoing engagement with key officers across Adult Services.
- Cancelled: Selective Licensing. Positive assurance over project governance obtained from review of project working group reports, upward reporting to Directorate Management Team and to Neighbourhood and Environment Scrutiny Committee.
- Cancelled: Business Rates Continuous Auditing. This was a development review and has been incorporate into the NNDR refunds work planned for 2018/19.
- Deferred to 2018/19 Internal Audit Plan: ICT Software Licensing
- Deferred to 2018/19 Internal Audit Plan: NNDR Refunds
- Deferred to 2018/19 Internal Audit Plan: Factory Project: Part 2
- Deferred to 2018/19 Internal Audit Plan: Northwards Capital Programmes Team.

2.5 Outcomes for the work which remain to be finalised will be reported in quarterly assurance reports to Audit Committee in and are reflected in the Annual Internal Audit Plan for 2018/19.

### **Limited Assurances**

2.6 In the year Internal Audit issued nine limited assurance opinions. Limited and No assurance opinions are issued where there are significant concerns about the system of internal control or an absence of controls which could put the process or system objectives at risk. Recommendations made as a result are often designated as critical or major to reflect the level of risk. These have resulted in agreed action plans which are being monitored by management and the implementation of which is reported to Audit Committee on a regular basis. Where audit work identified areas for improvement recommendations were made to address the risk and management action plans agreed or advice and guidance was provided to enable managers to make changes to processes or policies.

2.7 The limited opinions in year were reported to Audit Committee and action plans agreed and progressed in respect of:

- ICT: Disaster Recovery (from 2016/17).
- Multi Agency Safeguarding Hub (MASH) and a follow up of implementation of MASH recommendations (from 2016/17).
- Transition to Adulthood.
- Homecare Services Contract Governance.
- Client Financial Services Appointee Support - Cash Delivery.
- Disability Supported Accommodation Services – Quality Assurance Framework.
- Procurement, Commissioning and Contracts: Contract Creation and Formalisation.
- Contract Management: Homecare.
- Mobile Connections: Data Analysis.

2.8 Action to implement recommendations to address risks was monitored in year and the next full progress and implementation report will be provided to Audit Committee in July 2018.

### **3 Counter-Fraud and Investigations**

3.1 As reported in March 2018, Internal Audit received 61 referrals of potential fraud, theft or other irregularity in the year April 2017 to March 2018 of which 36 were handled under the Council's whistleblowing policy.

3.2 In addition to these corporate fraud, theft or other irregularity the team have continued to investigate fraud allegations and other concerns received in respect of the Council Tax Reduction Scheme, Housing Tenancy and Housing Right To Buy.

3.3 Detailed information in relation to anti-fraud and investigation progress and outcomes for 2017/18 will be presented in the Annual Fraud Report to be presented to Audit Committee in July 2018.

### **4 Recommendation Implementation**

4.1 The total number of critical, major or significant priority recommendations fully implemented across the Council as at the end of May 2018 was 72% with a further 14% partially implemented as shown below. Combined this is above the target of 70% for implementation which is an improvement of previous years and demonstrates the focus management continue to place on addressing areas of exposure to risk. Internal Audit will continue to monitor implementation progress.

4.2 A separate report is provided regularly to Audit Committee on all outstanding critical, major and significant recommendations and the reporting and escalation process strengthened to ensure Strategic Directors and Executive Members are made aware of outstanding recommendations on a regular basis is operational. Strategic Directors are invited to Audit Committee to update on recommendations which remain outstanding nine months passed due dates.

The next recommendation update report will be presented to Audit Committee in July 2018.














**Critical, Major or Significant Priority Recommendations by Directorate**

Directorate	Number Due	Implemented	Partially Implemented	Referred Back	Outstanding
Core	28	18	4	4	2
Children & Families	20	10	4	0	6
Growth & N'Hoods	37	33	4	0	0
<b>Total</b>	<b>85</b>	<b>61</b>	<b>12</b>	<b>4</b>	<b>8</b>
<b>Total %</b>		<b>72%</b>	<b>14%</b>	<b>5%</b>	<b>9%</b>

**5 Conclusion**

5.1 Members are asked to consider the Internal Audit Outturn Report 2017/18.





**Appendix 1: Audit Status, Opinions and Capacity to Improve (where assessed)**

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
<b>Brought Forward from 2016/17</b>			
Children's Services: Multi Agency Safeguarding Hub (MASH) – compliance audit	Final	Limited 	High
ICT: Disaster Recovery (29 June 2017)	Final	Limited 	High
ICT: Academy Business Application (3 August 2017)	Final	Moderate 	Medium
ICT: Programme and Project Management (30 June 2017)	Final	Substantial 	High
ICT: Barclays.net (16 May 2017)	Final	Substantial 	High
ICT: Joiner, Mover and Leaver Processes (19 July 2017)	Final	Assurance Review: No Formal Opinion	
ICT: Internet & email filtering (27 July 2017)	Final	Moderate 	Not set
Core: PCI DSS – Operational Compliance (22 June 2017)	Final	Assurance Review: No Formal Opinion	
Core: Capital Budget Monitoring (15 May 2017)	Final	Substantial 	High
Core: Benefits Administration & RBV (27 July 2017)	Final	Substantial 	Not Assessed
Core: Highways Maintenance – follow up (18 May 2017)	Final	Moderate 	Not Assessed
Core: HROD Redesign – Resourcing ATS System (3 July 2017)	Final	Moderate 	Not Assessed
Core: HROD New Appraisal Process Planning Approach (23 August 2017)	Final	Substantial 	Not Assessed
Core Legal Services Income & Expenditure (17 October 2017)	Final	Moderate 	Not Assessed
Growth and Neighbourhoods: Waste Service Request Compliance (18 May 2017)	Final	Moderate 	High
Growth and Neighbourhoods:	Final	Moderate	Not Assessed

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Development and Implementation of Selective Licensing (18 May 2017)		●	
Procurement, Commissioning and Contracts: Housing Contract Management (5 April 2017)	Final	●	High
Procurement, Commissioning and Contracts: Contract Creation and Formalisation (12 January 2018)	Final	●	Medium
<b>Adults</b>			
Afghan resettlement process grant certification (19 October 2017)	Final	●	High
Client Financial Services (CFS) Appointee Support - Cash Delivery	Final	●	High
Transition to Adulthood (18 December 2017)	Final	●	High
Disability Supported Accommodation Services, Quality Assurance Framework (14 February 2018)	Final	●	Set at Final
MHCC Governance arrangements	Fieldwork complete	Set at draft	Set at final
MHCC Operational Plan monitoring	Fieldwork complete	Set at draft	Set at final
Mental Health Safeguarding	Cancelled		
<b>Children's Services</b>			
Children's Services Quality Assurance Framework (7 July 2017)	Final	●	High
Troubled Families – Assurance Framework	Final	Engagement and advice in design of assurance arrangements for TF	
Troubled Families – Approach	Draft	●	Set at Final
Multi Agency Safeguarding Hub	Draft	●	Set at Final



Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
(MASH) – follow up audit.			
Ofsted Improvement Actions 21 May 2018	Final	Advice	
Children Missing from Home or Care / Complex Safeguarding / Child Sexual Exploitation	Fieldwork Complete	Set at Draft	Set at Final
Early Help – Compliance (30 May 2018)	Final	Moderate ●	High
Payments to Carers	Final	Advice	
Children’s Safeguarding Governance	Final	Advice	
<b>Education and Schools</b>			
Thematic Schools audit: E Safety (16 February 2018)	Final	Moderate ●	Medium
Thematic School audit: Data Security “Information Governance In Schools” (16 March 2018)	Final	Moderate ●	High
Schools Financial Value Standard (SFVS)	Final	Certification to City Treasurer and Department for Education	
<b>Corporate Core</b>			
Greater Manchester Pension Fund (Grant Certification) (8 May 2017)	Final	Grants Audits so no formal opinion or capacity to improve assessment	
Growth Deal (Grant Certification) (21 July 2017)	Final		
Carbon Reduction Commitment (Grant Certification) (31 July 2017)	Final		
Disabled Facilities (Grant Certification) (10 August 2017)	Final		
Highways (LTP HCM) (Grant Certification) (29 September 2017)	Final		

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Highways (Challenge Fund) (Grant Certification) (29 September 2017)	Final		
Highways (Pinch Point) (Grant Certification) (29 September 2017)	Final		
URBACT 3 claim 3 (Grant Certification) (29 September 2017)	Final		
Highway Maintenance Efficiency Programme (Grant Certification) (1 February 2018)	Final		
URBACT 3 claim 4 (Grant Certification) (29 March 2018)	Final		
Highways (Cycle City 2) (Grant Certification) (26 February 2018)	Final		
Payroll Continuous Monitoring (Q1) (7 July 2017)	Final	Assurance Review: No Formal Opinion	
Expenses – Compliance (22 August 2017)	Final	Moderate 	Not set
Treasury Management (16 August 2017)	Final	Full 	Not set
Mobile Connections – Data Analysis (31 October 2017)	Final	Limited 	High
Payroll Continuous Monitoring (Q2) (18 October 2017)	Final	Assurance Review: No Formal Opinion	
Income and Debt Management (SAP) Compliance (30 November 2017)	Final	Substantial 	High
Capital Financial Strategy Governance and Assurance (14 December 2017)	Final	Advice and Guidance	
Payroll Continuous Monitoring (Q3) (13 December 2017)	Final	Assurance Review: No Formal Opinion	

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
LED Lighting Retrofit New Work (22 December 2017)	Final	Advice and Guidance	
Public Service Network: Code of Compliance (6 February 2018)	Final	Assurance Review: No Formal Opinion	
Parking PCNs Income Loss New Work (17 January 2018)	Final	Advice and Guidance	
Council Tax (6 February 2018)	Final	Full	Not set
SAP Expenditure: Cost Centre Manager Approval Data Analysis (27 February 2018)	Final	Substantial	Not set
Income & Debt Management – Investment Estate (Compliance) (22 May 2018)	Final	Moderate ●	Not set
Annual Governance Statement (9 May 2018)	Final	Advice & Guidance	
MiCare Replacement System Liquid Logic – Data Migration and Testing (10 May 2018)	Final	Moderate ●	High
Our Manchester Grants - Due Diligence New Work (24 April 2018)	Final	Substantial	Not set
Payroll Continuous Monitoring (Q4) (26 April 2018)	Final	Assurance Review: No Formal Opinion	
SAP access and segregation working group. New Work	Final	Advice, guidance and engagement in development of SAP access controls	
HR Transformation Programme	Complete	Advice, guidance and engagement in development of new HR processes	
ICT Application Audit 1 (SAP) (2 May 2018)	Draft	Moderate ●	Set at final
ICT Application Audit 2 (One System)	Draft	Moderate	Set at final

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
(2 May 2018)		●	
Disclosure and Barring Service (Safeguarding) (27 April 2018)	Draft	Moderate ●	Set at final
IR35 contractors and staffing review (9 April 2018)	Draft	Advice and Guidance	
Going Google	Draft	Advice and Guidance	
General Data Protection Regulations (GDPR)	Complete	Assurance Review:	
Factory (Grant Certification)	Fieldwork Started	Grants Audit	
ICT: Data Centre Replacement	Assurance obtained by other means		
Business Rates Continuous Auditing	Cancelled		
ICT Software Licensing	Deferred to Q1 2018/19		
<b>Growth and Neighbourhoods</b>			
Waste Collection, Recycling and Cleansing Services Contract (9 May 2017)	Final	Substantial ●	Not Set
Community Safety, Compliance & Enforcement Annual Constitution Review Process (28 July 2017)	Final	Substantial ●	High
Pre-Construction Service Agreement (2 August 2017) New work	Final	Advice and Guidance	
Waste Contract – Price Performance Indicators (3 January 2018)	Final		
Christmas Markets: Follow Up	Final	Not set	
Leisure GLL Retender 2018	Complete	Advice and Guidance	
Retail Markets - Financial and Management Health Check (21 May 2018)	Final	Moderate ●	Not Set
Selective Licensing - 12 month	Cancelled	Assurance was taken from	

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Review		Project Governance and Committee	
Our Town Hall - Security	Final	Substantial ●	Not Set
Our Town Hall - Governance	Complete	Not Applicable	
Highways – Potholes and Patching 22 May 2018	Final	Moderate ●	Not Assessed
Highways Contract Review - Assurance	Complete	Advice	
Investment Estate Income 22 May 2018	Final	Moderate ●	Not Assessed
Northwards Capital Programmes Team		Deferred	
<b>Procurement, Contracts and Commissioning</b>			
Contractor Selection and Award: Family, Resource and Intervention Framework (FRIF) (2 May 2017)	Final	Moderate ●	High
Contractor Selection and Award: Manchester's Service for Independent Living (MSIL) (8 May 2017)	Final	Substantial ●	High
Contract Management: Fleet Services (14 September 2017)	Final	Moderate ●	High
Capital Programmes Block - Contract Payments: Final Accounts (31 July 2017)	Final	Substantial ●	High
Factory Project: Governance Arrangements (19 July 2017)	Final	Not Applicable	
Contract Management: Facilities Management. (28 November 2017)	Final	Substantial ●	High
Contract Management: Utilities (24 October 2017)	Final	Substantial ●	High
Contract Review: LED Lighting (4 January 2018)	Final	Assurance Review	
Contract Management: Social Transport (6 December 2017)	Final	Moderate ●	High

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Contract Management: Homecare (7 March 2018)	Final	Limited ●	High
Financial Management and Cost Control – Revenue Contracts (17 April 2018)	Final	Not applicable	
Factory Project: Part 2	Deferred		
Construction and Property Professional Services Framework (CAPPS) (20 March 2018)	Final	Substantial ●	High
Social Value Framework – Developing System (1 May 2018)	Final	Moderate ●	Not set
Contract Management Procedures and Processes	Advice		
Contract Management – Performance Reporting	Cancelled		
<b>Proactive Counter Fraud</b>			
National Fraud Initiative	Fieldwork Ongoing	Not applicable	
NNDR Refunds	Deferred	Not applicable	
Vendor Credit Recovery	Planned	Third party supplier commissioned to carry out work in Q2 2018/19	
Duplicate Payment Reviews	Planned		
ID scanner implementation New Work	Complete	Scanners implemented	