



Audit Committee

Date: Tuesday, 23 November 2021

Time: 10.00 am

Venue: Council Chamber, Level 2, Town Hall Extension

This is a **revised and supplementary agenda** containing additional information about the business of the meeting that was not available when the agenda was published

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Membership of the Audit Committee

Councillors - Ahmed Ali (Chair), Clay, Hitchen, Lanchbury, Robinson and Russell

Independent Co-opted Members – Dr S Downs and Dr D Barker

Supplementary Agenda

- | | | |
|-----|--|-----------|
| 5. | ITEM REVISED - External Audit Progress
The report of the External Auditors (Mazars) is attached. | 3 - 14 |
| 6. | ITEM WITHDRAWN - Final Statement of Accounts | |
| 7. | ITEM WITHDRAWN - Letters from those charged with governance | |
| 9. | Internal Audit Assurance (Q2)
The report of the Head of Audit and Risk Management is attached. | 15 - 84 |
| 10. | Outstanding Audit Recommendations
The report of the Head of Audit and Risk Management is attached. | 85 - 96 |
| 12. | Risk Review: Procurement of External Auditor
The report of the Deputy Chief Executive and City Treasurer is attached. | 97 - 104 |
| 13. | Risk Review: Governance and Management of Complaints
The report of the Director of Policy, Performance and Reform is attached. | 105 - 124 |

Further Information

For help, advice and information about this meeting please contact the Committee Officer:

Donna Barnes
Tel: (0161)234 3037
Email: donna.barnes@manchester.gov.uk

This supplementary agenda was issued on **Tuesday, 16 November 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA

Audit Progress Report

Manchester City Council

Pages 3
November 2021



1. Audit Progress
2. National Publications

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Item 5

01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

2019/20 Whole of Government Accounts work

We are aware the Council have progressed the outstanding audit queries and resolved technical issues with the HM Treasury software and we have a meeting with the Council finance team to discuss the progress on 16 November. We hope to be able to finalise this work as soon as the outstanding queries have been satisfactorily resolved and a compliant updated WGA submission has been produced for us to complete our final checks.

2020/21 Financial statements work

The Council met the deadline to publish the accounts by the statutory deadline of 31st July, and as planned our audit commenced in early September. Our audit of the financial statements is continuing and we have made good progress on some key areas of the audit. In particular our testing of the pension liability, loans and investments, debtors and creditors, and income and expenditure items is progressing. We've highlighted below some additional information below on two key areas of the audit which remain outstanding. We have maintained a good close liaison with the Council's finance team, and have weekly 'audit queries' meetings to discuss progress and ensure that the finance team are able to chase up outstanding information and responses to questions. The two areas which are most challenging and causing most delays are the work on the valuation of land & buildings and investment properties, and our work on the cash balances.

Audit Progress

- The valuation of land & buildings and investment properties is the most significant area of focus for our audit, and the Council uses three external valuers along with internal Council valuers to produce the valuations. We have reviewed a sample of the valuations in September and early October and have raised initial queries to the internal and external valuers. While we have received some responses to our initial queries there are a number of other queries where responses are awaited and our work will progress when they are received. These entries involve complex accounting estimates and involve very material items, therefore we have classified this as a significant audit risk.
- The Council reported to us in September that an adjustment was required to cash and debtors to reflect the correct balance at 31 March 2021 and we understand work has been undertaken to resolve this. We are awaiting the Council's revised balance sheet and supporting working papers to commence this work.

In addition to the above, our work on the Council's Group Financial Statements has, to date, focused on the revaluation of the group components' land and buildings undertaken by the Council's external valuer. Our work on the consolidation of the full group statements is planned to be completed towards the end of the main Council audit.

The challenges reported have resulted in us not being in a position to conclude our audit by the end of November 2021 as originally planned. We are progressing our work as quickly as possible and will update Audit Committee routinely with our progress.

02

Section 02: National Publications

National Publications

	Publication/update	Key points
Financial Reporting Council (FRC)		
1.	Major local audits – Audit Quality Inspection	Sets out the findings of FRC's most recent quality inspection of major local audits.
National Audit Office (NAO)		
2.	Good practice guide: Cyber and information security	Provides a good practice guide for audit committees on cyber security arrangements.
Page 9	The local government finance system in England: overview and challenges	This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years

NATIONAL PUBLICATIONS

Financial Reporting Council

1. Major local audits – Audit Quality Inspection, October 2021

The Financial Reporting Council (FRC) is the independent body responsible for monitoring the quality of major local audits, as defined by the Local Audit (Professional Qualification and Major Local Audit) Regulations 2014. This monitoring is performed by the FRC's Audit Quality Review (AQR) team. The reviews of individual major local audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of local audit in the UK. Audit firms are required to audit the financial statements and Value for Money (VFM) arrangements conclusion and exercise their additional powers or duties, as required, in accordance with the Local Audit and Accountability Act 2014

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of the firms' local audits that do not meet the definition of a major local audit.

The FRC has published its report setting out principal findings arising from the 2020-21 inspection of the audit firms completing major local audits in England as well as QAD results of other audits.

[FRC AQR Major Local Audits October 2021](#)

NATIONAL PUBLICATIONS

National Audit Office

2. Good practice guide: Cyber and information security, October 2021

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

National Audit Office

3. The local government finance system in England: overview and challenges, November 2021

Local authorities in England provide a broad range of universal services, with targeted services for the most vulnerable in society. They have also been pivotal in the local response to the COVID-19 pandemic. Local authorities are funded through multiple funding streams, including government grants, taxes, and charges for services. The Department for Levelling Up, Housing & Communities, previously the Ministry of Housing, Communities & Local Government, is responsible for a framework that provides assurance on the financial health of local government and allows for intervention in individual cases and in response to system-wide risks.

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work. The overview aims to enhance financial transparency about local government in England. It covers:

- An introduction to local government funding
- Government policy and actions since 2010
- Some results or consequences of these changes.

The overview covers England only as local government is devolved in Scotland and Wales and focuses on five types of English local authority – London boroughs (including City of London), metropolitan boroughs, unitary authorities, county councils and district councils. This does not include town and parish councils, combined authorities, or stand-alone police and fire authorities.

<https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/>

Contact

Mazars

Partner: Karen Murray

Phone: 0161 238 9248

Mobile: 07721 234043

Email: karen.murray@mazars.co.uk

Senior Manager: Alastair Newall

Phone: 0161 238 9243

Mobile: 07909 986776

Email: alastair.newall@mazars.co.uk

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**Manchester City Council
Report for Information**

Report to: Audit Committee, 23 November 2021

Subject: Internal Audit Assurance Report 2021/22

Report of: Deputy Chief Executive and City Treasurer / Head of Internal 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 Opinion and an Annual Assurance Report.

This report provides an update of progress on the agreed audit plan 2021/22; additional work assigned to the audit service and copies of the audit opinions issued in the period May to October 2021. A progress update on the period prior to this was included in the Annual Audit Opinion paper presented to Committee in June 2021.

Recommendations

Audit Committee is requested to consider and comment on the Internal Audit Assurance Progress Report.

Wards Affected:

All

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Tel: (0161) 234 3506
E-mail: carol.culley@manchester.gov.uk

Name: Tom Powell
Position: Head of Internal Audit and Risk Management
Tel: (0161) 234 5273
E-mail: tom.powell@manchester.gov.uk

Name: Richard Thomas
Position: Deputy Head of Internal Audit and Risk Management
Tel: (0161) 455 1019
E-mail: richard.thomas@manchester.gov.uk

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 four years after the date of the meeting and can be accessed on the Council website

- Internal Audit Plan 2021/22 (Audit Committee meeting March 2021)
- Annual Assurance Opinion (Audit Committee June 2021)
- Review of effectiveness of Internal Audit (Audit Committee Sept 2021)
- Annual Fraud Report (Audit Committee Sept 2021)

Internal Audit Assurance Report

1 Introduction

- 1.1 This report provides a summary of the work of the Internal Audit Section since May 2021 and specifically the report includes copies of executive summaries and assurance opinions from completed audits finalised between May and October 2021.
- 1.2 The work of internal audit is a key part of the Council's overall assurance framework which is described in the Annual Governance Statement and in the Head of Audit and Risk Management Annual Opinion. This report confirms the position on delivery of the plan which is progressing well; with final reports, draft reports and fieldwork completed on 47% of planned audits and another 19% in planning and in progress. This is a positive position at this stage of the year, particularly given that the service is continuing to respond to ongoing demands for support and assurance in a wide range of areas across the organisation.
- 1.3 Audit work is prioritised in areas of highest risk and where changes have been made to policies, strategies and systems. These factors alongside pressure across the organisation since the start of the year in driving covid response and recovery; in managing resource reductions and capacity to deliver on key priorities; and in the delivery of substantial organisational change are all reflected in the opinions and findings of audit work. Whilst this report does note areas for improvement there remains positive management engagement and commitment to agree actions and address areas of identified risk.
- 1.4 Appended to this report are:
- Appendix One: Delivery status of the annual audit plan 2021/22
 - Appendix Two: Executive summaries May 2021 to October 2021
 - Appendix Three: Basis of Audit Assessments (Opinion/Priority/Impact)

2. Audit Programme Delivery

- 2.1 The following is a summary of progress against the 2021/22 audit plan, including the completion of work carried forward from 2020/21 in this period.

Audit Status	Audit Plan Status At 31 October 2021
Final Report / Work Complete	23
Draft Report	6
Fieldwork Completed	6
Fieldwork Started	2
Planning	12

Audit Status	Audit Plan Status At 31 October 2021
Not started Δ	26
Totals	75
Cancelled / Deferred / Re-scoped Λ	2

Δ 76% of work not started is in line with plans as this was not scheduled to start until quarter 3 or quarter 4. This is due to timings agreed with auditees and to ensure assurance is provided at the right time, for example in review and support to the Annual Governance Statement process in March 2022.

Λ Flare replacement project to be deferred to 2022/23 as the project has not advanced as expected; and End User Device audit has been re-scoped for inclusion in the related review of operational device management.

- 2.2 Outputs include audits and briefing notes, as well as advice, guidance and support to management where captured in formal reports. It includes counter fraud investigations where a formal was report issued but does not include all casework outcomes.
- 2.3 In March 2021, to manage the resource pressures and uncertainty resulting from Covid, we opted for a '6+6' plan with the intention for a formal mid-year review of the strategy and plan in October. This approach enabled tighter scope focus in the first six months and allowed time to re-assess and build greater detail into the second half of the year. As a result there were two minor changes to the planned audits of Flare replacement and End User Devices as referred to above.
- 2.4 We have now consolidated our position, cleared all 2020/21 work brought forward and are progressing through the 2021/22 plan. Covid grant assurance work does however remain a pressure on resources, with required compliance checks likely to continue until June 2022.
- 2.5 The 2021/22 plan assumptions have been impacted by the further spikes in Covid19 infections and additional grant schemes announced by Government, with associated 'pre' and 'post' payment compliance requirements (as determined by the Department for Business, Energy and Industrial Strategy - BEIS), which includes continued work to identify and recover potential fraudulent requests for payment, and this is expected to continue into 2022.
- 2.6 The sections below describe the progress against the agreed annual audit plan 2021/22 and provide more detail on the grant assurance / recovery work and the deliverables to year end.

3 Resourcing and Plan

- 3.1 Work to progress the audit structure and resourcing has continued as planned with an update on the position on recruitment to posts to be provided to Audit Committee as planned in January 2022. In the interim one of our three secondees has extended their appointment for a further six months with the hope of joining the service permanently, when positions in the new structure become available.
- 3.2 There has and continues to be an impact on resources arising from staff absence due to covid and other illness, with a need to reallocate and reschedule work as a consequence. This position and the resultant risks to the delivery of the annual audit plan is being actively managed. If absence continues at current levels then the completion of some audit work is likely to be delayed until early 2022/23.
- 3.3 Audit have liaised closely with the Director and Assistant Director of Housing Operations regarding the provision of services and for scoping a programme of assurance work until year end. We have consolidated the assurance position based on risk registers, previous audit work provided by the Northwards Housing internal auditor and through workshops. Housing Operations are using an external consultant to undertake health checks on statutory compliance, and management have recently completed their “100 day” integration plan from which we are able to take assurance. As governance arrangements develop and are established, we intend to undertake work on housing asset management / investment and having recently delivered a management workshop are working with the team to develop awareness and confidence in the Council’s whistleblowing and related counter fraud policies.
- 3.4 We continue to utilise Salford City Council ICT audit team on work within our ICT assurance portfolio and this is largely progressing in line with agreed plans. In conjunction with the Director of Capital Programmes we also commissioned an external consultant to undertake a review of programme and cost management arrangements across the capital programmes and highways services. Whilst this was not a formal audit, it was used to support a September 2021 report to Resources and Governance Scrutiny Committee and the findings and conclusions from this work has fed into our assessment of assurance.

4 Children’s Services and Education

School Financial Health Checks

- 4.1 We have finalised three school audit reports (St Philips, Martenscroft Nursery and Collyhurst Nursery) and two are in the process of being drafted (All Saints Newton Heath and Divine Mercy).
- 4.2 All three schools where final reports have been issued have received limited assurance opinions. Issues identified include key financial duties not being completed or not completed in a timely fashion and a lack of compliance with key financial procedures. Covid pressures are likely to have contributed to some

of the lapses in control we have seen, however the extent of non-compliance, including examples of where segregation of duties was insufficient, is concerning. We have made appropriate recommendations for improvement and will track these through to implementation, with Head Teachers and School Business Managers.

- 4.3 It is evident that some of the non-compliance within schools is attributable to the pandemic and school business managers being under pressure with competing priorities. As a result standard financial processes, such as completion of bank and payroll reconciliations and raising purchase orders have not always been followed. We have seen an increase in the use of debit cards to facilitate quicker payments, and less compliance with the delegations / authorised signatories. We do not consider this is an indication of financial mismanagement, merely an indication of mitigations that were necessary during lockdown. The schools accept our assurance opinions and recommendations for control improvement and are working towards returning to pre covid arrangements.
- 4.4 Given the limited assurance opinions and to offer support to schools on common challenges and areas for improvement resulting from audit work, Internal Audit will attend the Education Finance Consultancy annual conference from 17-18 November, to update attendees on themes arising from financial health checks and to promote practice improvement. We are also using this opportunity to incorporate sessions on how to identify and reduce fraud and irregularity, and best practice regards data handling and data protection; Information Commissioner requirements and ongoing GDPR compliance.
- 4.5 We have agreed to complete 12 days audit work for the Education Leadership Trust during this quarter which will commence mid-November.

Supporting Families

- 4.6 We issued a final report for our audit of Supporting Families. We were asked to provide assurance to GMCA over Manchester's use of Supporting Families funding, in line with the agreed Audit and Monitoring Framework; to enable GMCA to provide onward assurances to the then Ministry for Housing, Communities and Local Government (MHCLG) that GM Local Authorities were meeting the minimum expectations of the national programme.
- 4.7 Overall, we provided reasonable assurance that local systems were designed to support the delivery of the Supporting Families Programme and that there were appropriate levels of compliance with the key requirements and standards of the updated framework.
- 4.8 We rated seven of ten process areas as 'green' and three as 'amber' where there was some scope for improvement in the documentation of lessons learned from the pandemic and in the development of a formal action plan to help support the delivery of priorities identified in a programme self assessment. We also noted that eligibility for Supporting Families funding was not determined up-front at the referral stage, but rather after the interventions were complete. Whilst this is a deviation from the standard GM process it was a decision taken

by management to ask practitioners to base their offer on providing the right support according to need, rather than Supporting Families criteria or a 'tick box' exercise.

Client Financial Services – Appointeeships

- 4.9 We are in the process of drafting an audit report for our audit of appointeeships within client financial services. This audit has identified inconsistencies over the handling of cash in area offices, when client's personal allowances are being administered. Some of this has been caused by pandemic restrictions and need for paperless workarounds, however we have identified process improvements that are needed to ensure an effective system of control and achieve greater efficiency.

5 Corporate Core and Information Governance

Information and ICT

- 5.1 So far in 2021/22 we have continued to support a number of key Council projects that have a core ICT element, including Data Centre Optimisation, Payment Card Industry Data Security Standard (PCI DSS) and work to improve joiner / mover / leaver processes. We have agreed the scope for an audit on Vulnerability Management, which is scheduled for completion in January 2022 and have started work on an information governance audit, which will be centred on assurance over the area of privacy notices.
- 5.2 Following a review of risk associated with the End User Device project we have revised the scope of work planned in this area. We had originally planned assurance over project governance and management but based on our planning we are assured that arrangements in this respect are appropriately designed and managed. As a result we have rescoped the work to focus on the effectiveness of operational controls over device replacement and this work is now underway.

Core Systems

- 5.3 Significant resource has continued to be required to support Restart Grants payments and the continuing group of local schemes funded through the Additional Restrictions Grant. We have begun planning local activity to scope any required post payment assurance in relation to all schemes, including the required support to meet the mandatory requirements now specified by BEIS. Work will be required in this area until June 2022. We have also supported the reconciliation processes required by BEIS and led by Corporate Finance.
- 5.4 We have completed grant certification work in relation to two European grants (ABCitiEs and C-Change) in line with required timescales. No issues were identified as a result of this work. We have also provided advice on the record keeping for a third smaller project where no certification was required (the Synergy project). We issued a short note to confirm the outcomes of our review of Council spend with the Voluntary, Community and Social Enterprise (VCSE)

sector. Again, no systemic inaccuracies were identified.

- 5.5 We are currently exploring options to commission a further payment recovery exercise; reviewing standard payments made by the Council between 1 June 2019 and 1 June 2021. The previous exercise led by Internal Audit with support from finance colleagues reviewed five years of payment data and returned approximately £380k back to the Council. We are working with Finance to explore how the use of other software solutions and the emergent project for the replacement of the core financial system can be utilised to further minimise the risk of duplicate or overpayments.

Estate Services Review

Following a leadership restructure and the move from Growth and Development to Corporate Services earlier in 2021 we agreed to present an overview of the arrangements for prioritisation, planning and performance management within the Estates Service. This was not an audit but we did obtain assurance from this work as it concluded that there was clarity over the priorities of the service and arrangements were in place to manage delivery of these.

- 5.6 We were satisfied that there were proposals to develop the performance management framework further, which should help to manage ongoing delivery of priorities and objectives. We support the refresh and reestablishment of the functions of the former Estates Board to ensure there is a strong oversight for estates activity and we consider that the fulfilment of this role by the Strategic Capital Board is a positive move that will further develop the coordination between the delivery of estates related priorities and the associated funding and capital requirements that link to these.

Grant Certifications

- 5.7 Formal certifications of grant funded expenditure were provided for the following we no adverse opinions or matters of concern noted:
- MHCLG for the Covid-19: Local authority compliance and enforcement grant (£453k) ringfenced for activity to support compliance and enforcement of measures to control the spread of Covid-19 across individuals, businesses and in the community.
 - Department for Digital, Culture, Media and Sport (DCMS) for the Culture Recovery Fund grant (£882k) to support cultural and heritage organisations impacted by Covid-19 as they transition back to a viable operating position.
 - MHCLG on for the Disabled Facilities Grant Annual funding (£7,476k) and Additional Funding (£1,007k) to support older and disabled people to live as independently and safely as possible in their own homes.

Our Town Hall – Management of Work Package Delivery and Payments

- 5.8 We provided a reasonable assurance opinion over the arrangements in place to ensure the effective management of work packages. There was a robust change process in place, driven by input and communication between the key

parties involved and there were adequate systems for evidencing and managing any changes agreed and approved.

- 5.9 In determining the overall cost of the work packages selected it was evident that there were differences in the presentation of the cost information by the management contractor and the appointed quantity surveyor. We therefore recommended an action for the Project Team; to confirm the Construction Cost Report figures are in alignment with those maintained by the management contractor.

Capital Programmes

- 5.10 In March 2021 Internal Audit, in conjunction with the Directors of Capital Programmes and Highways, commissioned an independent review of the Council's capital programme with a focus on Financial Management and Investment Planning; Programme Governance and Reporting; and Management of Project Delivery. This work was completed and fed into a report to Resources and governance Scrutiny Committee in September 2021. The review highlighted opportunities to further standardise and promote consistency of approach across different aspects of the capital programme in areas such as financial planning, risk management and reporting. This work and the findings from other audit and assurance work is to be used as the basis of workshops to be facilitated by Internal Audit with key stakeholders to review and agree improvement and development actions. This will include engagement with capital programmes, highways, ICT and the new Director of Strategic Development and relevant members of her team.

6 Neighbourhoods; Growth and Strategic Development

Highways Compensation Events Review

- 6.1 We undertook a review to provide assurance over the current controls to ensure the effective management of compensation events (CEs) within highways contracts and provided a reasonable opinion. Our sample testing identified there was a clear process for CEs and template letters covering the notification, quotation, assessment and implementation of CEs to promote consistency in approach across the various projects.
- 6.2 Many of the sample of CEs reviewed related to a change in design indicating that the number could be reduced through a greater certainty and agreement of design at the tender stage although we recognise that issues such as the requirement for external funding bodies to approve designs, does introduce complexity in the design process. Similarly, we acknowledge the considerable timelines associated with such complex projects but highlighted the importance of checkpoints to ensure the design remains as accurate as possible before costs are committed.
- 6.3 We concluded that further development of the quality assurance framework was needed; to identify further means of providing assurance and confidence over the development of project budgets, the management of CEs and to facilitate a

move to the management of CEs from within approved project budgets. This could be supported through sample checks, analysis and reporting of CEs. Sample testing highlighted the need for improvements to the completeness of the evidence trail supporting the communication between the Council and the contractor at key stages of the CE process, particularly where this would have been within officers' email accounts who had subsequently left the Council and had not saved key correspondence within the project folder.

- 6.4 Management actions have been agreed and should help to reduce overall risk in this area, we plan to revisit progress at the end of the financial year.

Avro Hollows

- 6.5 Following a request from managers in Housing Strategy, we recently undertook a review of operational arrangements in place at Avro Hollows Tenant Management Organisation (TMO), including repairs, anti-social behaviour, fire risk assessments and disrepair claims. A report detailing the outcomes of our work will be published to management shortly.

7 Procurement, Contracts and Commissioning (PCC)

Waivers and Contract Extensions

- 7.1 We recently issued the draft report for our review of waivers and contract extensions. Our testing concluded that ongoing work is required to strengthen the process for submitting, recording, scrutinising and approving waivers and contract extensions. Whilst positive changes in system and processes were observed, there were examples of waivers that lacked fully documented evidence of consultation, approval, scrutiny and challenge over waiver requests and contract extensions.
- 7.2 Clarity was needed on the contract authorisations prescribed by the Constitution, as three of 14 sampled waiver reports and two thirds of extension reports did not have the correct signatures. We acknowledge and agree that the Constitution in its current form is considered too restrictive in some areas and does not always allow for the appropriate signatories and levels of sign off. Some of the signatories in our sample testing were not constitutionally correct but were obtained at appropriately senior levels. This audit therefore demonstrates the need for a review of the levels of decision making within the Constitution and reaffirms the importance of forward planning that the Integrated Procurement and Commissioning (ICP) are continuing to support directorates to develop. The actions to respond to these observations are to be discussed with the ICP Service in November.

Supplier Relief

- 7.3 The government issued a number of Procurement Policy Notes (PPN) during 2020 for contracting authorities to act on, to support suppliers at risk of financial collapse as a result of the Covid 19 pandemic. This enabled the Council, through its contract managers, to work with contractors providing relief against current contractual terms and supporting suppliers to maintain

their cashflow and reduce the risk of suppliers suffering financial difficulty. We are able to provide a reasonable level of assurance over the effectiveness of the process for recording supplier relief. The Integrated Commissioning and Procurement (ICP) team responded quickly following the publication of the PPNs to produce and make accessible corporate guidance, templates and a register for use by the Council's contract and commissioning officers. Advice and guidance and additional support was also provided by ICP officers where required during this time.

Supplier Due Diligence

- 7.4 We provided a reasonable level of assurance over the developing arrangements to ensure that effective assessment of suppliers' financial resilience is undertaken. Whilst we concluded that financial due diligence checks were undertaken during open or restricted tender exercises and a risk rating assigned, the financial checks undertaken post contract award were more limited and not in accordance with corporate guidance recommending the assessment of financial resilience either annually or bi-annually dependent on the criticality rating of the contract.
- 7.5 An increased level of focus has been given to assurance over suppliers and recent developments have included the establishment of a Due Diligence Working Group, reporting to the Commercial Board. Its role is to develop suitable due diligence processes and drive a consistent and well embedded approach across the Council. Additionally, systems and processes have been strengthened giving contract and commissioning officers access to a credit report agency to enable them to proactively monitor suppliers' financial resilience throughout the life of the contract.
- 7.6 We made a number of recommendations around the enhancement and dissemination of guidance, the progression of the proposed framework overseen by the Due Diligence Working Group having slipped during the pandemic. Recommendations also address the improvement of contract registers, to include criticality rating and credit rating scores and the inclusion of contingency arrangements for critical/key contracts within Business Continuity Plans, should there be supplier failure. Management agreed all recommendations and are actively driving change which should reduce risk.

8 Counter-Fraud and Investigations

Proactive

- 8.1 Work has commenced and will continue into quarter four, on the review and refresh of Counter Fraud Policies.
- 8.2 A Counter Fraud Training workshop was undertaken with Housing Operations to support colleagues in understanding anti-fraud and corruption policies, including money laundering, and how the whistleblowing process works. We are planning further sessions with directorate leadership teams and key services in early 2022.

Reactive

Corporate Cases

- 8.3 Internal Audit have received 44 referrals of potential fraud or irregularity during the year to date. Of these 9 were considered whistleblowing allegations made either anonymously or from a named source and have been handled under the Councils Whistleblowing Policy and Procedure.
- 8.4 The nature of this work has remained consistent including concerns raised in several key risk areas including staff conduct, contractor conduct and performance, ethics and behaviours, employee compliance with procedures and theft from schools.

Other Investigations: Business Grants, Council Tax Reduction Scheme and Housing Tenancy

- 8.5 During 2021/22 Internal Audit have received 31 referrals of potential fraud or irregularity in relation to the Covid19 Business Support Grants. Due to the values involved this portfolio remains a key area for investigation and cases are being progressed positively in line with BEIS requirements.
- 8.6 As fewer new referrals within this area are received the Counter Fraud Team have re-commenced investigation work in relation to other portfolio areas previously paused in March 2020 as a result of the Covid response work. Interviews under caution, a key part of the investigation process have also recommenced.
- 8.7 A total of 32 referrals of fraud or irregularity in relation to the Council Tax Reduction Scheme have been received in the year to date. There have been 29 referrals received in relation to Housing Tenancy and Right to Buy. These figures are broadly in line with previous years.
- 8.8 An individual who previously pleaded guilty to three offences of illegally subletting a property and two accounts of failing to disclose a change of circumstance (under CTRS offences) was sentenced at Magistrates Court in September. The former Southway Housing tenant received a 14-week custodial sentence suspended for 12 months, was fined £10k and ordered to pay a victim's surcharge of £122. The Council were awarded costs of £1,840 and an unlawful profit order of £2,160 was awarded to Southway Housing.

9 Recommendation

- 9.1 Audit Committee is requested to consider and comment on the Internal Audit Assurance Progress Report to 31 October 2021.

Appendix One: Audit Status, Opinions and Business Impact 2021/22

Audit Area	Audit Status	Assurance Opinion	Council Impact
Childrens' and Education Services			
St Bernard's Primary School	Final Report	Limited ●	Low
Benchill Primary School (Follow Up)	Final Report	Partially Implemented ●	Low
St Matthews High School	Final Report	Limited ●	Low
St Margaret's Primary School (Follow Up)	Final Report	Partially Implemented ●	Low
Lily Lane Primary School (Follow up)	Final Report	Partially Implemented ●	Low
Collyhurst Nursery	Final Report	Limited ●	Low
Martenscroft Nursery	Final Report	Limited ●	Low
St Phillips CE Primary School	Final Report	Limited ●	Low
Planning for Permanence (follow up)	Draft Report	Partially Implemented ●	High
Children's Quality Assurance Framework	Fieldwork Complete	TBC	High
Peel Hall Primary School	Fieldwork		Low
Devine Mercy Primary School	Fieldwork		
Newall Green Primary School (follow up)	Not Started		
Church of Resurrection School			
Charles Town Primary School			
Oswald Road Primary School			
Abraham Moss High School			
Safer Recruitment in Schools			
Special Educational Needs local offer			
Payment System Assurance			
Elective Home Education			
Supervisions			
Multi Agency Safeguarding			
			High

Audit Area	Audit Status	Assurance Opinion	Council Impact
Health and Care (Adult Services)			
Mental Health Casework Compliance (follow up)	Final Report	Partially Implemented ●	High
Client Financial Services - Appointeeships	Draft Report	TBC	High
Health and Social Care: Assurance Framework Review	Fieldwork	N/A	High
Adults Services Quality Assurance Framework			High
Better Outcomes Better Lives		TBC	High
Supported Living – Tech enabled care			High
Adults Supervisions and Management oversight			High
Direct Payments	Scoping		High
Corporate Core			
VCSE Grant Expenditure	Final Report	Substantial ●	High
Our Town Hall- Allocation and Management of Work Packages and Delivery.	Final Report	Reasonable ●	High
Capital Programmes (commissioned)	Final Report	Assurance Review	High
URBACT Grant	Grant Certified	Certified ●	Low
SYNERGY Grant	Grant Certified	Certified ●	Low
ABCitiEs Grant	Grant Certified	Certified ●	Low
ICT Assurance Mapping	Briefing Note	N/A	Low
Irish World Heritage Centre	Briefing Note	N/A	Low
Estates – Service Review	Briefing Note (draft)	N/A	Low
Joiners Movers Leavers	Scoping	TBC	High
ICT Hardware Asset Management			High
Payment Card Industry - Compliance			High
Information Governance – Privacy Notices			Medium
Core Systems Assurance mapping			Not Started
EYES – Education and Early Years	High		
Debt Recovery and Write Offs	High		
Climate Change – emissions calc	High		
Data Analytics – Single Person Discount	Medium		

Audit Area	Audit Status	Assurance Opinion	Council Impact
Annual Governance Statement 2022		N/A	Low
Register of Significant Partnerships 2022		N/A	Low
FLARE system replacement	Deferred	To 2022/23	Medium
ICT End User Devices	Re-scoped in ICT Hardware Asset Management		Medium
Neighbourhoods; Growth and Development			
Disabled Facilities Grant: Certification	Grant Certified	Certified ●	Medium
Highways Maintenance Grant	Grant Certified	Certified ●	Medium
Culture Recovery Fund Grant – part 1	Grant Certified	Certified ●	Low
Highways Compensation Events	Final	Reasonable ●	Medium
AVRO Hollows - Tenant Management Organisation	Draft	TBC	Medium
Highways Programme and Project Assurance	Briefing Note	N/A	High
Housing Operations – Audit needs assessment	Briefing Note	N/A	Low
Culture Recovery Fund Grant – Part 2	Fieldwork Complete	TBC	Low
Housing Operations (Northwards) – Property Management	Scoping	TBC	Medium
Northern Gateway	Not Started	N/A	High
Governance and Management of Major Projects			High
Highway Grant Certifications			Medium
Estates Planning – Asset Management Plan			High
Planning and Licensing			Medium
Regulatory Services			Medium
Procurement, Contracts and Commissioning			
Supplier Relief	Final Report	Reasonable ●	High
Children's Placement Finding: Review of Core Processes	Final Report	Limited ●	High
Supplier Due Diligence	Final Report	Reasonable ●	High
Waivers and Contract Extensions	Draft Report	TBC	Medium

Audit Area	Audit Status	Assurance Opinion	Council Impact
Low Carbon in Procurement Decision Making	Planning	TBC	Medium
Children's Placements –Follow Up			High
Factory Project Assurance			High
Contract Management – Adult Social Care			High
Social Value Compliance	Not started		Medium
Frameworks – Selection and Award			Medium

Appendix Two: Audit Report Executive Summaries (Opinion Audits)

The following Executive Summaries have been issued for the audit opinion reviews finalised since May 2021 and as requested by Audit Committee are attached below for information.

Reference in Appendix	Audit Title
A	St Bernard's Primary School
B	Benchill Primary School (Follow Up)
C	St Matthews High School
D	St Margaret's Primary School (Follow Up)
E	Lily Lane Primary School (Follow up)
F	Collyhurst Nursery
G	Martenscroft Nursery
H	St Phillips Primary School
I	Mental Health Casework Compliance (follow up)
J	VCSE Grant Expenditure
K	Our Town Hall- Allocation and Management of Work Packages and Delivery
L	Highways Compensation Events
M	Supplier Relief
N	Children's Placement Finding: Review of Core Processes
O	Supplier Due Diligence

A. St Bernard's Primary School Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance to the Governing Body and the Local Authority over the adequacy, application and effectiveness of financial control systems operating at your school.	Limited	Medium

Sub objectives that contribute to overall opinion	Assurance
Allocation of financial roles and responsibilities	Limited
Long term financial planning, budget approval and monitoring	Limited
Key financial reconciliations	Limited
Expenditure, specifically purchasing and payroll	Limited
Income collection and recording	Substantial

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1. The 2020/21 Internal Audit plan includes an allocation of time to complete financial health checks at a sample of Local Authority maintained schools. This audit has been undertaken at the request of the newly appointed Head Teacher.
- 1.2. The Head Teacher has been in post since September 2020 and although the School Business Manager (SBM) has been in post since January 2020, she has not been able to establish her role fully due to the national lockdown. As a result, the school has outsourced some of the key reconciliations and reviews such as payroll and bank to Education Finance Consultancy Limited (EFC Limited) who have been providing financial management and budget support for several years.
- 1.3. The SBM advised that she had not had the opportunity to access training or have the proper handover which she required as she has no previous experience in school business management. For these reasons, the Head Teacher and SBM requested a full financial health check.

2. Conclusion and Opinion

- 2.1. We provide **limited** assurance over the adequacy, application and effectiveness of financial control systems operating at St Bernard's R. C. Primary School. This opinion is based on numerous and significant control issues being identified across the financial management framework and systems. We do acknowledge that most of the issues identified related to controls designed by previous management teams. The current team are keen to strengthen control and have progressed all and implemented many of the actions we recommend.
- 2.2. Whilst it is a positive that some of the key financial management and budget monitoring controls have been maintained throughout lockdown and change in leadership via outsourcing to EFC Limited; it is important to note that we fully support the Head Teacher's view that these key functions need to be brought back into the roles of the finance team within the school.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1. We were satisfied that the Resources Committee undertook budget monitoring at least three times per year, and the full Governing Body received a finance update four times. Minutes of these Governing Body meetings showed Governors discussing and asking questions in relation to key areas of budget such as staffing and building refurbishment.
- 3.2. A three-year budget forecast was produced, scrutinised by the Governing Body, signed by the Chair of Governors, and submitted to the Local Authority in line with submission deadlines. This included clear documentation of the assumptions made in developing the budget, using the pro forma.
- 3.3. The governors and SBM have identified the need to review the arrangements for shared use of sport facilities with a partnering school in terms of financial viability and value for money arrangements with the partnering school for shared management. The school plans to review this post Covid lockdown, prior to lettings recommencing when the sports facility is back in use.
- 3.4. Risks around handling cash and the associated administrative burden had been largely eliminated by going 'cashless' for all routine income, including lettings income.

Key Areas for Development

- 3.5. We have made seven significant and three moderate recommendations to help improve governance, risk management and financial control at the school, specifically relating to the following issues:
- a lack of up to date and detailed financial procedures and Scheme of Financial Delegation to support application, and effectiveness of financial control systems;

- Although there was evidence of Governing Body monitoring the budget regularly, the minutes did not show formal approval of the budget;
 - lack of evidence of SBM and Head Teacher's monthly budget monitoring activity;
 - lack of clear alignment between the School Improvement Strategic Overview 2019-2022 and the three-year budget;
 - poor evidence of management oversight and delays in review of bank and payroll reconciliations by Head Teacher, as these functions have been outsourced;
 - inadequate compliance with purchasing procedures, including a lack of compliance with high-value procurement procedures;
 - poor controls over the school charge card;
 - outdated lettings and charges policy.
- 3.6. The Chair of Governors advised us that operational processes followed the Scheme of Financial Delegation. However, our review and subsequent discussions with the Head Teacher and SBM confirmed that the Scheme reflected the arrangements in place prior to the Head Teacher's appointment in September 2020 and current processes had been revised to support the strengthening of controls. We support the action taken to revise processes; however care must be taken to ensure the Scheme and approved policies and procedures are amended to reflect practice changes.
- 3.7. The budget setting exercise reviewed relates to the previous Head Teacher and therefore we were unable to see evidence of Head Teacher involvement. Furthermore, the new Head Teacher and SBM have utilised the first few months of the academic year to understand the systems previously followed and therefore were not (at the time of our review) able to evidence their involvement, review or management oversight of some of these basic system reviews.

B. Benchill Primary School (Follow Up) Executive Summary

Audit Objective	Overall Implementation Status
To provide assurance over the implementation of recommendations agreed in response to the audit of Benchill Primary School issued 4 February 2020	Partially Implemented

1. Audit Summary

- 1.1. A review of action taken to implement the audit recommendations made in the Financial Health Check review (published 4 February 2020) was undertaken in December 2020. The original audit had provided limited assurance and recommendations were made and agreed to support strengthening the governance and financial controls in operation in the School. This follow up review of progress was done remotely due to Covid19 restrictions.
- 1.2. On request supporting paperwork to confirm the progress made and actions taken to embed control changes and strengthen assurance over key controls was provided by the School Business Manager. This was provided as a document pack linking examples of action taken as appropriate for each recommendation. Following review and evaluation by Internal Audit the overall progress and outcomes were discussed with the School Business Manager and Head Teacher on 13 January 2021 and some specific clarifications were sought in some areas where work was on going to enhance controls. This report summarises the outcome of our assessment.

2. Conclusion and Opinion

- 2.1. In our opinion there was evidence provided of action taken on all recommendations. There were examples provided to show the controls now in operation at the School to improve financial control and management oversight and these addressed a number of critical and significant recommendations. In our view if the school continue to ensure that the controls are applied and recorded in line with the examples we have examined and discussed with the Head Teacher and School Business Manager then the level of assurance the school may achieve should improve and there will be a reduction in the exposure to risk accordingly. As a result of our review it is our opinion therefore that all but two of the audit recommendations have been implemented.
- 2.2. Internal Audit's assessment of progress is summarised in table attached for completeness and confirms the actions taken at school. The evidence pack was fairly comprehensive and while we did not carry out an on site visit to observe processes in operation there was sufficient information made available to demonstrate the actions taken and where some further work is still required. Timeliness of key financial reviews and reconciliations have

improved and changes to the guidance and increased diligence in timely Head Teacher review was recorded on supporting financial documents.

- 2.3. In our view there are some areas where further work is still needed to enhance and discharge appropriate controls. We have discussed these with the Head Teacher and School Business Manager. In particular there remains a need to review and update the School Improvement Plan to ensure a clear alignment of plans to the three year budget. This should be addressed as part of the normal cycle of planning and budget review and scrutiny by Governors. We appreciate that the last 12 months has been extremely challenging for all schools; changes have been made to development plans and timescales and that there is a need to prioritise actions and consider that further strengthening of the control arrangements should be undertaken within this context.
- 2.4. We noted that a decision to allow the Head of School to sign off overtime claims rather than the Head Teacher which was not the action agreed. While we have no reason to doubt that the Head Teacher may be involved in prior authorisation of the overtime budget it is important that the Head Teacher also authorises these claims when they are processed for payment. We have advised again that the Head Teacher and School Business Manager ensure that the Head Teacher authorises overtime claims and this is delegated to the Head of School.

C. St Matthew's R.C. High School Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance to the Governing Body and the Local Authority over the adequacy, application and effectiveness of financial control systems operating at your school.	Limited	Medium

Sub objectives that contribute to overall opinion	Assurance
Allocation of financial roles and responsibilities	Limited
Long term financial planning, budget approval and monitoring	Limited
Key financial reconciliations	Reasonable
Expenditure, specifically purchasing and payroll	Limited
Income collection and recording	Substantial

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1 This financial health check has been completed at the request of Director of Education and Skills. St Matthew's RC High School is due to move to academy status in May 2021 and there have been on-going financial management concerns in relation to the School's deficit position and delays in implementing previous audit recommendations.
- 1.2 Previous audits in 2018 and 2019 recommended actions to improve the adequacy, application and effectiveness of financial control systems and cash handling.
- 1.3 An Interim Executive Board (IEB) was appointed at St Matthews in March 2018 following an 'inadequate' Ofsted rating, to focus on raising standards and developing and implementing an improvement plan.

2. Conclusion and Opinion

- 2.1. We provide **limited** assurance over the adequacy, application and effectiveness of financial control systems operating at the school; some of the longstanding concerns about financial control and governance remain and we

have identified lapses in key, basic financial controls. These are detailed in our key findings, areas for development and audit action plan; including significant areas of risk that require mitigation.

- 2.2. At the feedback meeting with members of the IEB, the Head Teacher and Finance Director on 5 March 2021 we were advised that the school expects to be in a position of financial surplus prior to transition to academy status which is encouraging. Members in the meeting attributed the savings to a combination of staff departures and Covid-19 as well as contract savings and benefits. We acknowledge that the Senior Leadership Team (SLT) are now in a stronger position with a more stable finance team.
- 2.3. We acknowledge that the school have not accepted a number of the findings and recommendations in the report; or the overall assurance opinion. The impact of Covid-19 on operating arrangements and the focus on school improvement and new ways of working with an IEB are important context nonetheless it is the view of Internal Audit, as discussed with leadership and management, that some of the core control processes do require further focus. As recommendations have not been accepted and, whilst timescales have been suggested by management, we are unclear what specific actions are proposed or how the audit observations will be factored into the further development of governance and control arrangements now that the school has academised. As such we have included all recommendations and management comments in the report and advise that the school reflect on these and the risks that the controls are designed to address when reviewing and refreshing any financial management arrangements moving forward.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1. The Management Team and IEB have managed to bring the school out of projected 2019/2020 cumulative deficit position of £249k and in year deficit of £204k, to a cumulative surplus of £126k and in-year surplus of £325k (as at January 2021). These figures have been extracted from minutes and reports presented to IEB.
- 3.2. We were advised that the school has reduced the number of bank accounts in operation since the last internal audit visit from six to two - plus the School Fund, making control and oversight easier to manage. The 'Trips Bank Account' balance has been transferred into the main account, the 'Capital Account' was still operational (Jan 2021). We have not verified the closure of the other bank accounts.
- 3.3. IEB minutes reviewed between March and December 2020 indicate an appropriate level of challenge and enquiry to confirm fiscal surety, including a review of the 'School Fund' in June 2020 around value and purpose. The fund had a bank balance of £51k and £478 petty cash as last reported to the IEB in September 2020.

- 3.4. Advice was being sought to bring this account into the main school bank account. A subsequent review of the fund by Salford Council Internal Audit in February 2021 identified a lack of clarity of purpose and no breakdown of income retained. Several payments to charities were reported as having no supporting documentation. Oversight and independent assurance sought by the work of the IEB is positive. Greater definition and clarity of the fund's purpose and having less complex audit trails (i.e. income streams) enables better financial control.
- 3.5. Risks around cash and the associated administrative burden had been largely eliminated by going 'cashless' for all routine income from August 2020 and includes lettings income.
- 3.6. During the audit we were told that safe keys were stored in a locked cabinet within the finance office and left on site overnight. This contravened the insurance policy conditions. We were advised that this practice has now been changed and keys are kept on the person during the school day and taken off site at the end of each school day and during holidays.
- 3.7. Significant progress has been made in the administration and management of lettings. Following the decision to retain management control, rather than outsource the function, we note the introduction of stronger controls including segregation of duties when taking and managing bookings. In addition, debtor income is monitored, arrears are managed centrally, and only on-line bookings are accepted.

Key Areas for Development

- 3.8. We have made seven significant recommendations, three moderate and one minor recommendation to further strengthen control, and address:
 - Absence of up to date and detailed financial procedures and Scheme of Financial Delegation to support consistent application of financial controls;
 - lack of evidence of IEB approval and regular formal (system generated primary source report) monitoring of the budget by the IEB, Finance Lead;
 - lack of documented evidence of the Finance Director and Head Teacher's monthly budget monitoring activity, and lack of cash flow forecast reports;
 - lack of clear alignment between the School Improvement Plan and the three-year budget and lack of evidence of regular IEB review of this;
 - poor evidence of management oversight and review of bank reconciliations by Head Teacher and inadequate separation of duties;
 - poor evidence of management oversight and review of payroll reconciliations by Head Teacher and inadequate separation of duties;
 - inadequate compliance with purchasing procedures including a lack of compliance with high-value procurement procedures;
 - outdated lettings and charges policy.
- 3.9. Some of these issues were identified and reported in previous Internal Audit reviews. The action plan we provide consolidates this position into a single, comprehensive set of recommendations; devised to prepare the school for a

stricter financial reporting regime it will encounter as an academy - through oversight via the ESFA (Education & Skills Funding Agency) and DfE.

D. St Margaret's Primary School (Follow Up) Executive Summary

Audit Objective	Overall Implementation Status
To provide assurance over the implementation of recommendations agreed in response to the audit of St Margaret's C of E Primary School issued 20 December 2020.	Partially Implemented

1. Audit Summary

- 1.1 A review of action taken to implement audit recommendations made in the Financial Health Check review (published 20 December 2020) was undertaken during April and May 2021. The December 2020 audit had provided limited assurance and recommendations were made to support strengthening the governance and financial controls in operation at the School. This follow up review was done remotely due to Covid19 restrictions.
- 1.2 We requested supporting documentation to assess the progress made in addressing the recommendations made in the December 2020 audit report. Documentation was provided by the School Business Manager electronically, including examples of action taken for each recommendation. Internal Audit have reviewed evidence and this report summarises the outcome of our assessment.
- 1.3 This was not a full re-review of the financial controls in the school but rather an assessment of progress made with the implementation of the agreed audit recommendations.

2. Conclusion and Opinion

- 2.1 Our review concludes that the overall exposure to risk has been reduced with evidence of actions being progressed to varying extents for nine of the eleven recommendations made. However further work is needed to complete all the previously agreed actions.
- 2.2 The original recommendations and current confirmed status are attached at Appendix 1. Progress made for the eleven recommendations is as follows;
- For six recommendations (one critical, two significant and three moderate) we confirm progress has been made towards implementation, however we consider these are partially, not fully implemented at this time.
 - We consider three recommendations to be fully implemented, of these two are classified as significant and one is classified as moderate.
 - For two recommendations we have not seen evidence of any progress being made, so these remain outstanding. One of these recommendations was classified as significant and one is

minor.

- 2.3 The key actions that still need to be addressed are as follows:
- Develop the School development plan into a three-year document linked to the three-year budget;
 - Update the Scheme of Financial Delegation to include detail of approval requirements for budget virements above the Head Teacher's authorised limits;
 - Ensure Purchase Orders are issued prior to commitment to spend with the supplier;
 - Ensure the Contracts Register includes key actions relating to any expiring contracts to ensure timely retendering.
- 2.4 Internal Audit's assessment of progress is summarised in Appendix 1.
- 2.5 The explanation of recommendation prioritisation and follow up assurance is attached at Appendix 2.

D. Lily Lane Primary School (Follow Up) Executive Summary

Audit Objective	Overall Implementation Status
To provide assurance over the implementation of recommendations agreed in response to the audit of Lily Lane Primary School issued 2 July 2020.	Partially Implemented

3. Audit Summary

- 1.4 A review of action taken to implement the audit recommendations made in the Financial Health Check review (published 2 July 2020) was undertaken during April and May 2021. The July 2020 audit provided limited assurance and recommendations were made to support strengthening the governance and financial controls in operation at the School. This follow up review was done remotely due to Covid19 restrictions.
- 1.5 We requested supporting documentation to assess the progress made in addressing the recommendations made in the July 2020 audit report. Documentation was provided by the School Business Manager electronically, including examples of action taken for each recommendation. Internal Audit have reviewed evidence and this report summarises the outcome of our assessment.
- 1.6 This was not a full re-review of the financial controls in the school but rather an assessment of progress made with the implementation of the agreed audit recommendations.

4. Conclusion and Opinion

- 2.6 Our review of progress made in implementing recommendations shows the overall exposure to risk has been reduced with evidence of actions being progressed to varying extents for six of the eight recommendations made. However further work is needed in several areas to progress actions and therefore further reduce the exposure to risk.
- 2.7 The original recommendations and current confirmed status are attached at Appendix 1. Progress made for the eight recommendations made in the report is as follows;
- For four recommendations (one critical, two significant and one moderate) we can see progress has been made towards implementation and therefore reducing the exposure to risk, however we conclude these are only 'partially implemented' at this time.
 - We consider two recommendations to be fully implemented, of these one is classified as critical and one significant.

- For two recommendations we have not seen evidence of any progress in implementation, so these remain outstanding. One of these recommendations was classed as critical and one as significant.

2.8 The key actions which still need to be addressed are as follows:

- Include details of the leavers process in the Operational Financial Procedures Manual;
- Ensure that budget monitoring meetings are documented and clearly demonstrate key actions being agreed and monitored;
- Payroll reconciliations should be completed consistently month on month with clear evidence of review and monitoring being evidenced throughout the reconciliation;
- Purchasing activity should demonstrate clear approval on a timely basis, records should evidence segregation of duties throughout the process and for purchases over £2k there should be clear evidence retained of compliance with the School's financial regulations procurement requirements around quotations and tenders.
- The Operational Financial Procedure Manual (OFPM) should be updated to include exceptional circumstances where exceeding the monthly debit card limit is allowable;
- The account for the School Business Manager's charge card should be independently reconciled.

2.9 Internal Audit's assessment of progress is summarised in Appendix 1.

2.10 The explanation of recommendation prioritisation and follow up assurance is attached at Appendix 2.

F. Collyhurst Nursery School and Children's Centre, Schools Financial Health Check Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance to the Local Authority and Governing Body over the adequacy, application and effectiveness of financial control systems operating at your school.	Limited	Medium

Sub objectives that contribute to overall opinion	Assurance
Allocation of financial roles and responsibilities	Limited
Long term financial planning, budget approval and monitoring	Reasonable
Key financial reconciliations	Limited
Expenditure, specifically purchasing and payroll	Limited
Income collection and recording	Reasonable

Key Actions	Risk	Priority	Planned Action Date
The Head Teacher should ensure that official school purchase orders are raised on the Schools financial management system and signed by an authorised signatory in advance of the purchase being made with the supplier; in line with the Scheme of Financial Delegation. The purchasing process should include demonstrable separation of duties.	Significant	3 months	1/11/21
The Head Teacher should review and revise current business card processes to ensure that only named card holders use the cards, all purchases are approved in advance, evidence of receipt is retained and card reconciliations are completed independently by a person other than the card holder.	Significant	6 months	4/1/22
The Head Teacher should ensure that the SoFD and OFPM are updated to define roles and responsibilities and key duties for all key financial control systems.	Significant	6 months	31/3/22

The Head Teacher should ensure that the bank reconciliations are completed in a timely fashion in line with the requirements of the Scheme of Financial Delegation and are signed and dated as evidence as completion and review.	Significant	6 months	1/11/21
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Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

G. School Financial Health Check: Martenscroft Nursery School and Children's Centre Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance to the Local Authority and Governing Body over the adequacy, application and effectiveness of financial control systems operating at your school.	Limited	Medium

Sub objectives that contribute to overall opinion	Assurance
Allocation of financial roles and responsibilities	Limited
Long term financial planning, budget approval and monitoring	Limited
Key financial reconciliations	Limited
Expenditure, specifically purchasing and payroll	Limited
Income collection and recording	Moderate

Summary of Key Actions	Risk	Priority	Planned Action Date
Head of School should ensure that the Schools Financial Regulations (SFO) and schools own Scheme of Financial Delegation (SoFD) are complied with for all purchases and that records are retained to support each purchase to demonstrate timely approval by budget holders and to demonstrate a separation of duties.	Critical	3 Months	30 Sept 2021
Head of School should ensure that for all purchases over £2,000, three quotations are obtained and tendering exercises completed where necessary, as set out in the Schools Financial Regulations unless one of the exemption criteria are met or where there is an existing contract or Service Level Agreement (SLA).	Critical	3 Months	30 Sept 2021
Head of School should ensure that controls over use of the Schools business cards are improved. In particular; ensuring approval in advance of the purchase being made by a budget holder, improved evidence of receipt being retained,	Critical	3 Months	30 Sept 2021

ensuring only card holders use the card and introducing periodic reconciliations of business card statements.			
Head of School should ensure that regular and complete bank reconciliations are completed in a timely manner in line with the SoFD and OFPM. The reconciliations should include the signature of the individual completing the reconciliation and that of the reviewer.	Critical	3 months	30 Sept 2021
Head of School should ensure that the Scheme of Financial Delegation and operational financial procedures are updated to clearly articulate roles and responsibilities and procedures for all the school's financial systems and controls.	Significant	6 months	9 Dec 2021
Head of School and Chair of Governors should ensure that Governing Body meetings are scheduled to coincide with key milestones in the annual financial management cycle, such as approving the budget plan. Head of School should also ensure that there is sufficient time for the budget to be scrutinised by the Governing body prior to Local Authority submission deadlines and that the budget is signed as such by the Chair of Governors. Where it is not possible for any reason to obtain a physical signature to approve the budget, we would expect to see electronic approval demonstrated through emails.	Significant	6 months	Not Accepted
Head of School should extend the School Development Plan to a three-year plan in line with the requirements of the School's Financial Regulations as planned. The plan should also be developed to clearly link the priorities to the school budget. If some priorities do not have specific budgetary implications this should be made clear in the plan.	Significant	6 months	1 Nov 2021

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

H. St Philips Primary School Financial Health Check Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance to the Local Authority and Governing Body over the adequacy, application and effectiveness of financial control systems operating at your school.	Limited	Medium

Sub objectives that contribute to overall opinion	Assurance
Allocation of financial roles and responsibilities	Limited
Long term financial planning, budget approval and monitoring	Substantial
Key financial reconciliations	Limited
Expenditure, specifically purchasing and payroll	Limited
Income collection and recording	Reasonable

Key Actions	Risk	Priority	Planned Action Date
As part of a wider review of the Scheme of Financial Delegation and Schools Financial Procedures, we have recommended that the Executive Head Teacher should revise the allocation of key financial responsibilities to remove the over reliance on the School Business Manager and ensure appropriate separation of duties across key financial roles.	Critical	3 months	7 December 2021
The Executive Head Teacher should lead a review of the School Development Plan to develop it into a multi-year plan with direct links to the three-year budget and budgetary implications of individual targets. Once developed the plan should be approved by Governors.	Significant	6 months	29 March 2021
The Business Manager and the Executive Head Teacher should ensure bank reconciliations are fully completed in line with the requirements of the School Financial Regulations. Focus should be on ensuring reconciliations are reviewed	Significant	6 months	

independently by the Executive Head Teacher or Acting Head Teacher following completion and are signed as such and that unreconciled items are reviewed as part of each reconciliation.			September 2021
The Executive Head Teacher should ensure that payroll reconciliations are completed in a timely manner by the Business manager and signed and dated as such. The payroll reconciliations should then be reviewed by the Executive Head Teacher or Acting Head Teacher in a timely fashion and signed and dated as such.	Significant	6 months	September 2021
The Executive Head Teacher should ensure that wherever possible official purchase orders are raised on the Schools finance system and authorised by an authorised signatory before the purchase is made with the supplier. Where orders cannot be raised in advance due to exceptional circumstances, a retrospective order should be raised and authorised as soon as possible after the purchase is made.	Critical	3 months	September 2021
The Executive Head Teacher should remind staff of the Schools purchasing procedures and the need to comply with these. It should be made clear if the procedures are not followed there is a risk that payments to suppliers could be refused.	Significant	6 months	7 December 2021
The Executive Head Teacher should revise the debit card processes to ensure appropriate requisition, approval and receipt of items purchased along with demonstration of appropriate separation of duties	Significant	6 months	7 December 2021

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

I. Adults Services

Follow Up Audit: Mental Health – Casework Compliance Executive Summary

Audit Objective	Overall Implementation Status
To provide assurance over the implementation of audit recommendations agreed in response to the audit of Mental Health Casework Compliance issued April 2019.	Partially Implemented. (8/9 have been Implemented)

1. Audit Summary

- 1.7 In late 2018 Internal Audit undertook an audit review of Mental Health Casework Compliance to provide assurance over delivery of delegated statutory social care functions by the Greater Manchester Mental Health Foundation Trust. Based on this work we provided a limited assurance opinion and made nine recommendations for improvement. A follow-up audit was undertaken and reported in January 2020, where we concluded that although the exposure to risk had been reduced progress towards achieving full compliance with safeguarding procedures was not as advanced as expected.
- 1.8 In order to provide assurance to the Accountable Officer (Executive Director of Commissioning & DASS), SMT, and Audit Committee, that further progress had been made to reduce risk, we have undertaken another follow up audit. The scope was to assess whether agreed actions had been completed to address the recommendations.
- 1.9 This was an assessment of progress made with the implementation of the agreed audit recommendations and not a full re-review. We focussed on the assurance processes in place within the Council. Our review was based on discussions with key council officers and a review of documentation provided, and as such we did not undertake sample testing nor review the use of either the Trust's or the Council's new case management systems.

2. Conclusion and Opinion

- 2.11 Firstly, it must be acknowledged the last year has been a particularly difficult time for undertaking service improvement, particularly within the Health Service where understandably pandemic response has been prioritised. The pandemic and subsequent lockdowns also had a substantial impact on mental health and the safeguarding of vulnerable adults, with the last year seeing a 53% increase in safeguarding referrals to the trust (from 2133 in 2019/20 to 3256 in 2020/21).
- 2.12 Our review of progress confirmed that five recommended actions - to improve the transparency of the system audit trail, assurance over recording in Paris, the timeliness of annual reviews of care packages, controls over protection plan review dates, and the reporting of Section 75 KPI's - had been fully implemented.

- 2.13 We considered that the three recommendations, in relation to initial response to safeguarding concerns, the evidence of decision making and timeliness of manager approvals, and the timeliness of the conclusion of safeguarding referrals were also implemented. However, the Trust had identified that practice standards were variable across teams, with some areas of good compliance but others where further progress still needed to be made. Therefore, whilst the previously identified risks had been significantly reduced there was still a lack of compliance with expected timescales and procedures despite the recommendations being implemented. The Trust had clearly undertaken significant work in these areas and, as well as establishing a training programme which had introduced mechanisms for monitoring timeliness and oversight, however improved compliance will take time to embed.
- 2.14 The remaining recommendation, regarding monthly reconciliations, had been further delayed due to issues following the implementation of new software in both the Trust and Council and as such was still assessed as being outstanding.
- 2.15 We therefore conclude there has been a significant reduction in the overall exposure to risk in this area. The original recommendations and current confirmed status of each are attached at appendix 1 and summarised in the table below:

Category	Total	Implemented	Partially Implemented	Outstanding
Critical	0			
Major	4	3.1, 3.3, 4.2		4.1
Significant	4	1.1, 1.2, 2.1,3.2		
Moderate	1	1.3		
Minor	0			
Total	9	5	3	1

- 2.16 Whilst reviewing the implementation of these recommendations we were also made aware that the Trust had worked with the Council to undertake further work to improve its safeguarding practice. Whilst not contributing directly to addressing risks identified during the audit this activity certainly gives us confidence that the Trust is committed to the necessary improvement journey being undertaken to improve their performance. Specifically, the additional measures were:
- The Trust undertook an internal qualitative audit of safeguarding practice which identified areas of good practice as well as areas in need of improvement, the outcome of this (which was shared with the Council) was an action plan to address generic issues with individual practice issues addressed on a case by case basis. A second qualitative audit has been planned for before the end of the year. Internal Audit fully support this approach and would support it becoming an ongoing periodic review.
 - The Trust has introduced new roles (Professional Lead for Social Care and Divisional Lead for Social Care) to improve and develop all aspects of social care, this includes specific responsibilities to support and improve

safeguarding practice.

- 2.17 We are required to monitor actions taken to implement recommendations and to report progress to the Strategic Management Team (SMT) and Audit Committee on a regular basis. The work to embed the necessary behaviour changes to improve compliance is ongoing and is being monitored by the Trust, and City Council management. We expect progress in addressing outstanding performance issues including addressing the remaining risks from our audit work to be regularly discussed and challenged at the Mental Health Partnership meetings. We are assured by the progress made in delivering service improvement to date both in relation to addressing recommendations from our audit and from wider service improvement activity. However, it is important that both the Council and Trust continue to actively monitor and manage non-compliance to further minimise the exposure to risk.
- 2.18 Based on the work completed and assurance obtained we will include the reported status of these actions in our quarterly update reports to SMT and Audit Committee. In our view it would be beneficial for us to undertake a complete audit of this area in the future and we propose that this is included in Audit plans for 2022/2023.
- 2.19 The explanation of recommendation prioritisation and follow up assurance is attached at appendix 2. Note that Internal Audit now use four prioritisation categories.

3 Management Response Received

- 3.1 As things stand, there is no integration between Paris and Liquidlogic - this means that systems need to be manually updated, which is a common challenge across Health and Social Care Services and Organisations not just in Manchester.
- 3.2 In the absence of any system integration, there is a requirement for GMMH employees to manually update Liquidlogic, which means they are double keying into two systems. There is currently an issue with some GMMH employees accessing the system, with focused work ongoing to address this, supported by GMMH and MCC IT teams. Double keying into different systems is clearly not a good use of practitioner's time. MCC will explore how we might integrate Paris and Liquidlogic (potentially involving other local authorities), however it needs to be recognised that any implementation to make this happen is likely to require support from system suppliers, which will be subject to their agreement.
- 3.3 Overall MCC and GMMH have a supportive relationship with regular partnership and operational meetings to ensure that there is a strong commitment to the delivery of social care statutory functions. Work ongoing with the section 75 will provide a clearer contractual relationship with GMMH setting out performance expectations relating to the delivery of statutory functions.
- 3.4 Over the past couple of years there has been a significant increase in safeguarding referrals into GMMH and we are working together to understand

and manage this safely. MCC has invested into new social care leads posts to ensure that there is a resilient social care presence at a senior level in GMMH to lead and drive service improvement. We have also ensured that the Principal Social worker has in their work plan a clear responsibility to support the social work staff in GMMH and we have extended training and support opportunities enjoyed by MCC social work staff to those employed by GMMH.

- 3.5 MCC will continue to work via the above actions with GMMH to ensure the ongoing improvements continue to embed

J. Corporate Core Directorate: Policy, Performance & Reform

Voluntary, Community and Social Enterprise (VCSE) Spend Mapping Validation Executive Summary

Assurance Objective	Assurance Opinion	Business Impact
To provide assurance over the accuracy of the financial information supporting the overall figures of contract and grant expenditure by the Council with the VCSE sector in 2020/21.	Substantial	Low

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1.1. Audit Summary

The Council commits significant levels of funding each year to the local Voluntary, Community and Social Enterprise (VCSE) sector to deliver outcomes in supporting Manchester residents. However, this funding is managed locally by services and there has historically been limited corporate visibility of the extent and nature of funding provided.

- 1.2. A recent review has been undertaken by staff to collate high-level information on funding provision from various services across the Council. We agreed with the Director, Policy, Performance and Reform, to undertake an audit review to assure the accuracy of the financial information provided.

2. Introduction and Background

- 2.1. The service review was led by the Programme Development Team for Our Manchester funding, part of the Policy & Strategy service. A working group was established to co-ordinate this work and set consistent expectations as to what should be included. The group was attended by representatives from each service.
- 2.2. In April 2021 a paper was produced by the lead officers outlining the process used to collate information, the potential limitations of the approach and the possible future areas for improvement in system, process and recording. In recognition of this work, we agreed to focus on confirming the accuracy of the information that formed part of the return.
- 2.3. We reviewed the six highest areas of quoted spend contributing to the return. Together these contributed over 75% of the total spend in 2020/21. We then

sample checked individual records in each area, to confirm the amounts quoted back to source information (such as contract award letters and evidence of expenditure on SAP). This included a mixture of grant awards and contract spend.

- 2.4. These records were selected to maximise financial coverage, with the following factors in mind:
- Inclusion of both grant and contract spend
 - Variety of different services within the Council
 - Significant changes in stated funding from prior or subsequent years (increases or decreases)

3. Findings

- 3.1. We found one instance where the contract listed was not being delivered by a VCSE organisation. Upon request of relevant evidence, this was quickly identified by officers and we advised that this contract should be removed from the exercise. The value of this spend was £1.5 million.
- 3.2. In most cases tested, it was straightforward to reconcile information to SAP spend. In others, this was more challenging and tended to be when there were multiple contracts or grant agreements with the same organisation. In these cases, it was more likely that the amount quoted was understated than overstated. For example, for one of our sample the quoted value was £110,000, however we identified a further four contracts with the same company with an additional value of £69,500. We did not seek to confirm whether this spend fully met all the criteria for inclusion in the return, as we considered the risk associated with publicly understating spend to be low.
- 3.3. There was one instance where we were able to find the contract that confirmed the amount to be paid but were not able to trace the payment itself in SAP. The associated financial value was £41,000. This related to a specific agreement with one VCSE organisation, which did not form part of a wider programme of funding. On this basis we were satisfied that there was sufficient supporting evidence to support inclusion of this value.

4. Conclusions and Opinion

- 4.1. Based on our discussions with staff and the substantive testing undertaken we can provide substantial assurance over the accuracy of the financial data attributed to VCSE spend in 2020/21. While our testing uncovered one material error in the information, we were satisfied that this was not repeated in the other transactions we reviewed and was not attributable to a systemic weakness in the process or data.
- 4.2. We have no recommendations for improvement at this time.
- 4.3. We would like to thank staff for their assistance in completing this audit.

**K. Corporate Core: Our Town Hall
Management of Work Package Delivery and Payments
Executive Summary**

Audit Objective	Assurance Opinion	Business Impact
To provide assurance over arrangements in place to ensure the effective management of work packages and payments.	Reasonable	High

Sub objectives that contribute to overall opinion	Assurance
Work is clearly defined and allocated to enable the delivery of it to be managed and controlled.	Reasonable
Systems and processes are in place to assess work against time and quality standards.	Substantial
Payments are made in line with prices agreed and there are suitable controls over any variations.	Substantial
Key project documents including the project cost plan, programme status and budget monitoring reports for work completed and payments are used to inform decision making.	Reasonable

Key Actions	Risk	Priority	Planned Action Date
The construction cost report should be updated to reflect the current work package costs. Action is taken to correct any anomalies to ensure there is transparency between the figures provided by LL and F&G.	Significant	6 months	31 December 2021

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1. As part of a series of reviews over the lifecycle of the Our Town Hall project we agreed with the Project Director to review the management of work packages and delivery at the start of RIBA 5. It is critical that work is completed on time, to budget and relevant standards to ensure that the overall programme of work is delivered in the planned timescale outlined within the project programme (G19) and the project cost plan. As such we have assessed this area as having a high business impact.

2. Conclusion and Opinion

- 2.1. Overall, we can provide a reasonable assurance opinion over the arrangements in place to ensure the effective management of work packages. There was a robust change process in place driven by input and communication between the key parties involved and there were adequate systems for evidencing and managing any changes agreed and approved. For the plaster package there were good systems in place to assess work against the delivery timeline and quality standards.
- 2.2. There was a standardised process for work package payments and underlying records were maintained by the work package lead to support the payment requested, any deductions and the finalised amount put forward for payment. There was sufficient time built into the process to allow for scrutiny and challenge ahead of any payment due dates.
- 2.3. In determining the overall cost of the work packages selected it was evident that there were differences in the presentation of the cost information by Lendlease (LL) and Faithful & Gould (F&G), the Council's appointed Quantity Surveyor. Further work was therefore needed to reconcile the work package costs during the audit. Whilst both parties agreed on the overall figure the incorrect inclusion of some instructions and some instructions which were included in the wrong works stage contributed to the difficulties in validating the overall cost of the package. We were informed that both LL and F&G subsequently agreed to transfer MEP (Mechanical, Electrical and Plumbing) 1 into MEP 2 in full to reduce complexity and confusion. Further to this, we were informed that there was recently a change in approach to address previous issues surrounding the transfer of elements of an instruction to others. In order to better manage this and increase transparency the team now issue separate and individual instructions to LL for different works contractors.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1. Signed contracts were in place for the work packages selected and were supported by scope sheets, schedule of works and pricing documents. Activity schedules were used to monitor progress and processes were in place to allow an assessment of work as a percentage against the original assessment to be determined. This could be done at any time and allows for the identification of

any slippages and for them to be acted upon.

- 3.2. A commercial reporting calendar had been produced to set out the submission deadlines for key actions including valuations, progress meetings, payment certification by F&G, presentation of payment notices to works contractors and approval of payment by the Commercial Lead. This should help to ensure that key activities take place on time reducing the risk of delays. For the sample of payments tested, we confirmed all were made on a timely basis in line with payment due dates and this allowed for assessment by the management contractor and F&G ahead of payment to the works contractor.
- 3.3. There was a well established change process which had been mapped out and showed the required steps. This starts with an Early Warning Notice and leads to an instruction (once approved) to the management contractor for issuing to the supply chain. All variations required an F&G instruction and would not be paid without one.
- 3.4. Each work package is reviewed monthly to determine any costs, liabilities and claims and is fed into the Kahua report. This provides a list of instructions from the client and is used to report on how the project and package are progressing. Look ahead meetings and monthly forecasts were also used to manage delivery.
- 3.5. A digital task manager system (Sablono) is used across the project which not only logs progress but also can be used to raise any quality issues. This provides a good evidence trail of any issues raised and a record to confirm that they have been resolved satisfactorily.
- 3.6. The Construction Cost Report which contained the entire construction budget was updated and published each month. This included an executive summary which set out the key changes in the period, details of any early warning notices, commercial risks and opportunities, a cost summary and cashflow forecast for the life of the project. This is supported by detailed costs for work package clusters and individual work packages making up those.

Key Areas for Development

- 3.7. In trying to vouch the total work package cost for our sample we did identify differences between the figures provided by the management contractor and those within the Construction Cost Plan maintained by F&G. F&G produced a reconciliation to identify the reasons for the discrepancies which resulted in the need for some revisions to the Construction Cost Plan. We were informed that the required revisions would be made prior to the next reporting period.
- 3.8. Whilst we were satisfied that there was collaborative evaluation and assessment involving LL and F&G prior to agreeing the amounts due in a payment notice this is only evidenced on the face of the payment notice by the management contractor currently. We consider the evidence trail maintained to confirm F&G agreement of the figure to be paid could be strengthened.

- 3.9. We were unable to evidence quality reviews being undertaken in relation to the MEP works package. Whilst the process described to us by management, we consider to be satisfactory we were unable to evidence the process happening in practice due to information not being provided to us to demonstrate this.
- 3.10. Similarly, for the same works package whilst we understand that overall progress was monitored through contractor meetings and against an activity schedule, we have yet to see evidence of progress being monitored against the activity schedule.
- 3.11. We also make the following point however a formal recommendation has not been made due to the Project Director's comments following the draft report being issued. Testing identified that for the January and February MEP payments and the February plaster payment the works contractor was notified of the amount to be paid prior to the payment being approved on the finance system by the Commercial Lead. We consider that a payment should be approved prior to the payment notice being issued to the contractor.
- 3.12. The Project Director however advised that the payment process follows the standard LL corporate procedure for payments process and that if a payment notice was challenged by the Commercial Lead then there is the provision for a Payless Notice provision within the Works Package Contract and that this addresses the issue of risk of overpayment. The Project Director advised that it is considered that the additional work were this to be required is less problematic than changing the LL corporate process. Further to this we understand that in any such event the risk of overpayment sits with LL: it is not a client risk since we only pay that which is certified by our quantity surveyor.

**L. Growth and Neighbourhoods Directorate – Highways Service
Highways Compensation Events Review
Executive Summary**

Audit Objective	Assurance Opinion	Business Impact
To provide assurance over current controls to ensure the effective management of compensation events within Highways contracts.	Reasonable	Medium

Sub objectives that contribute to overall opinion	Assurance
Roles, responsibilities and expectations are clearly defined.	Substantial
Adequate systems and processes are in place to ensure the effective management of CEs.	Reasonable
An appropriate evidence trail is maintained to support compensation events.	Reasonable

Key Actions (Appendix 1)	Risk	Priority	Planned Action Date
Exploration of options to strengthen the design stage to reduce the need for subsequent design changes during highways projects.	Significant	6 months	31 March 2022
Further development of the quality assurance framework surrounding Compensation Events including spot checks and analysis and reporting of CEs.	Significant	6 months	31 March 2022

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1. Highways major projects equate to approximately £25m per year which is mainly delivered by external funding using 'construct only' contracts. This means that the Council as the client holds the 'risk pot' which is designed to fund potential costs that were unforeseen when the works were contracted. These costs are provided for in the project costs approved through the Checkpoint process but not included in the initial contract sum. This is different than in design and build contracts where the contractor builds some of the costs associated with risks into the tender price as part of their pre contract works and the contractor holds a proportion of the risk pot. There are still CEs under a design and build contract but with these included in the contract sum, no approval is notified through the variation report process.
- 1.2. Compensation Events (CEs) are defined within the NEC form of contract of which there are 19 clauses and relate to events which can affect the cost of work being carried out. These events broadly include change of scope or a failure of the client to perform actions required by the contract; and the costs of these changes are borne by the client if specified as a client risk under the contract. Examples of these are instruction to vary the works for example through footway adjustments, installation of gullies or additional landscaping; failure of the client to allow agreed access to the site; and encountering unexpected physical conditions within the site such as underground cavities or utility works. CEs are a regular occurrence in both design and build and construct only projects with construct only CEs funded from the risk element of the approved project budget.
- 1.3. The Council Constitution does not currently address delegated authority for CEs meaning they are treated as contract variations which requires approval from the Deputy Chief Executive and City Treasurer (DCECT) before a purchase order (PO) can be raised to pay the contractor. Given the current volume and value of CEs requiring approval we agreed with the DCECT and City Treasurer to review the current controls in place over CEs.

2. Conclusion and Opinion

- 2.1 Overall, we are able to provide reasonable assurance over the current controls to ensure the effective management of CEs within Highways contracts. Our sample testing across five highways schemes and 20 CEs identified that there was a clear process for CEs and template letters covering the notification, quotation, assessment and implementation of CEs to promote consistency in approach across the various projects.
- 2.2 In some cases, the evidence trail could be strengthened to support the communication between the Council and the contractor, particularly for those projects which are not run using a contract management system. TfGM provide use of Conject, one contract management system available, for certain projects but is not used across all highway's projects. We highlighted gaps in the completeness of the audit trail particularly where this would have been within officers' email accounts who had subsequently left the Council and had not saved key correspondence within the project folder on the G drive.

- 2.3 In line with the process set out in the NEC form of contract, the contractor is notified the CE is implemented (and therefore accepted and a legal obligation created) and submitted costs agreed by the Project Manager. However, payment cannot be made until a contract variation report has been prepared by the project team and subsequently approved by the DCECT. This can lead to long delays in the contractor receiving payment, presenting risks around interest penalty payments becoming payable, reputational risks associated with late payments and the potential negative impact this could have on the supply chain.
- 2.4 A request was made recently to the Commercial Board to request greater delegated authority at a local level, given that the costs of the CEs fall within the project's budget which has already been approved through the capital checkpoint process although it was decided that the need for a single final variation report remained. We consider that further development of the quality assurance framework is needed; to identify further means of providing assurance and confidence over the development of project budgets, the management of CEs and to facilitate a move to the management of CEs from within approved project budgets. This could be supported through sample checks, analysis and reporting of CEs. We will revisit progress at the end of March 2022 alongside the service presenting their updated assurance to the DCECT in line with the recommendations made in this report.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1 Timescales specified within the contract including response times for the submission, review and response of CEs were understood by Highways' project staff. Standard templates were in place to govern the key elements of the process which were used for all projects reviewed.
- 3.2 A CE tracker was in place for each of the projects tested and served as a central log of project CEs and captured key information and dates. For those projects which are on Conject due dates and alerts are built into the system however the tracker can be used to manage CEs for those projects not run on Conject.
- 3.3 There was good evidence of the Project Manager Assessment (PMA) process for the assessment of contractor quotes for the CEs tested and the subsequent amendment and reduction of these following review. This provided assurance that a robust review is undertaken before accepting costs and the contractor is challenged on elements of the quote where required. However, where the quote remained unchanged following submission, the evidence trail to support that an assessment was completed and deemed acceptable could be improved.
- 3.4 The contract allows a PMA for 4 defined reasons including where the contractor has not submitted a quote or altered the programme where requested or provided substantiation to evidence their claim. This should help to minimise delays in the finalisation of any proposed changes to price and programme and prevent spurious CE claims being submitted.

- 3.5 Work has recently been undertaken driven by the Highways PMO team to strengthen highways governance and transparency through the development of an intranet site. This included an authorisation matrix and project manager delegation sheet in addition to being a central hub for information reporting, training and best practice. There is recognition that further progress is needed to finalise team processes and for them to be added.

Key Areas for Development

- 3.6 Once the Project Manager accepts the CE and the cost of the quote prompting the contractor to begin works, the Council is then liable for the cost of the works. The NEC contract terms state that the PM certifies a payment within one week of an assessment and each certified payment is made within three weeks of the assessment date. If this payment is late interest is payable to the contractor on the late payment although we were told that contractors have not requested such late payment fees despite some payments falling outside of contractual timescales
- 3.7 One of the main reasons for the delay is due to the need for a fully signed variation report before a PO can be raised and the introduction of delegated authority of CE payments locally within the Highways service would quicken the process which could lead to more timely payments being made to contractors. Currently, CEs are reported to each project board and included within dashboard reporting for each individual project and amalgamated at programme level. It has been suggested that this information is reported to members of the Commercial Board once risk allocations are approved as part of the contract report process.
- 3.8 Many of the sample of CEs reviewed related to a change in design indicating that the number of CEs could be reduced through improved design at the tender stage although the requirement for external funding bodies to approve designs does introduce complexity in the design process. Improvements in the design process have and continue to be made through the PMO and Engineering Design Manager. However, further analysis should be undertaken to assess how this can be addressed and improved moving forward. Options include upskilling existing officers with the provision of training or greater oversight from senior more experienced officers which is currently managed through RIBA stage healthchecks and peer reviews to improve the standard of designs. We acknowledge the considerable timelines associated with such complex projects but highlight the importance of checkpoints to ensure the design remains as accurate as possible before costs are committed.
- 3.9 Whilst we were satisfied with the evidence supporting Project Team officers' assessment of a quote where changes were made to the original costings submitted this was not the case for quotes which did not change. Evidence of an assessment being completed along with the date and person completing the review should be documented on the quote to evidence that the quote had been reviewed and was deemed acceptable and no changes were required to the quote.

- 3.10 We identified gaps in the communication and evidence trail for some of the sample of CEs tested where the project was not managed through Conject. Gaps related mainly to the communication between the contractor and the project team regarding notification of a CE, changes to quotes, programme and completion dates but as the officers involved had subsequently left the organisation these were no longer accessible. We recommend that key communication which impacts on the costs/timelines associated with the CE should be saved onto the project file and this should be part of the process of managing leavers / transfers in line with standard organisational process. A longer-term aspiration could be to manage all projects through a contract management system which would also help in ensuring the timely completion of tasks through the use of inbuilt alerts. We do however accept this may take some time to implement.
- 3.11 We did note some significant delays in the issuing of Project Manager notices and assessments with the longest noted as being when the information was 21 weeks overdue although the contract sets timescales with quotes automatically accepted if these are exceeded. In addition, some were sent in error when the information had already been received but the Project Manager had not been made aware or had seen the correspondence. We were told that delays in the issue of such correspondence should not threaten delivery of the project as work would continue throughout this time and if the Project Manager fails to notify within the contractual timescales the quote is automatically accepted. Nonetheless we consider it important for officers to strive to comply with the contractual timescales. Better management and flagging of key timescales for projects not currently managed through a contract management system is needed.
- 3.12 Sample testing identified further areas where overall contract administration could be improved these included:
- For 5/20 we were unable to determine the correct or most up to date document from the file name.
 - In 6/20 cases we identified incorrect information on Project Manager letters these included the incorrect amount, date and CE number.
 - There were inconsistencies in the information included on the CE trackers dependent on the project.
 - Early warning information referred to in correspondence from the contractor was not filed with the CE documentation although the CE register also tracks EWN.
 - In 6/20 cases the quotes in MS Excel from one contractor use formulas that default to 'today's' date meaning it was not possible to determine the actual date of the quote. The contractor should be informed this is not acceptable
 - A contract variation report could not be located for one of the sample tested (Chorlton 1A).
 - The fully signed version of the contract variation could not be located for one of the sample tested (Hyde Road).
 - One contract variation report took over 3 months to be fully approved (NPIF).

**M. Corporate Services – Integrated Commissioning and Procurement
Supplier Relief
Executive Summary**

Audit Objective	Assurance Opinion	Business Impact
To provide assurance over the effectiveness of the process for recording supplier relief arrangements.	Reasonable	High

Sub objectives that contribute to overall opinion	Assurance
Sufficiency of guidance.	Substantial
The completeness, accuracy and timeliness of records.	Reasonable
Evidence of transition plans.	Limited
Escalation of issues or concerns where required.	Reasonable
Management information and reporting arrangements.	Limited

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1 The Government issued a number of Procurement Policy Notes (PPN) during 2020 for contracting authorities to act on to support suppliers at risk of financial collapse as a result of the Covid 19 pandemic. This enabled the Council through its contract managers to work with contractors providing relief against current contractual terms and supporting suppliers to maintain their cashflow and reduce the risk of suppliers suffering financial difficulty.
- 1.1 The importance of clear and complete records relating to any relief provided was understood to be essential to mitigate future risks to the Council associated with this including challenge over agreed relief. Internal Audit therefore agreed to undertake a review of the records being maintained for supplier relief awarded and the subsequent plans for exiting any relief arrangements.

2. Conclusion and Opinion

- 2.1. We are able to provide a reasonable level of assurance over the effectiveness of the process for recording supplier relief. The Integrated Commissioning and

Procurement (ICP) team responded quickly following the publication of the PPNs to produce and make accessible corporate guidance, templates and a register for use by the Council's contract and commissioning officers. Advice and guidance and additional support was also provided by ICP officers where required during this time.

- 2.2. We consider that that further work is needed to follow up with colleagues to determine the current position in terms of relief and to gain assurance over transition planning away from relief to ensure this is in alignment with the recovery and transition guidance issued as part of PPN 04/20.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1 The ICP team interpreted the PPN guidance issued by the Cabinet Office and put this into an accessible guidance document for contract managers. This was supported by proforma forms for completion when a request for relief was made and a google sheets register which acted as a single corporate record of supplier relief requests across Directorates.
- 3.2 The first version of guidance dated 20 May 2020 incorporated PPN 02/20 and was emailed to key commissioning and contract officers as determined by the ICP team. We were satisfied that contract and commissioning colleagues across the Council were informed of the PPNs on multiple occasions either via email or through the Contract and Commissioners' Group meeting providing assurance that officers were aware of the options for relief. Whilst the Contract and Commissioning Group meetings were not always attended by all who were invited, officers were also notified via email. The Senior Leaders Group were also made aware of guidance which was circulated in respect of the PPNs. In terms of the accessibility of information for the Council's suppliers, information was displayed on the Council's website for suppliers to access.
- 3.3 We reviewed the guidance which was comprehensive in terms of requirements relating to any relief (both financial and non-financial) provisions around open book transparency, approvals and supporting information required from suppliers to allow the Council to check commissioning principles were being complied with. There was clarity within the guidance documents that any relief should be proportionate, and it is appropriate to carry out financial checks before agreeing to relief; several examples and potential indicators to assist with this were provided.
- 3.4 The importance of retaining a robust evidence trail to record decisions and agreements with suppliers was evident through the guidance and in communications with contract and commissioning colleagues.
- 3.5 The Head of ICP prepared a report for SMT in May 2020 providing an overview of the Council's approach to supplier relief, next steps in terms of the PPNs and recommendations for officers across Directorates. This included capturing details of relief provided to suppliers, financial implications of any relief and

whether it was likely to be recovered. There was also a requirement for suppliers to indicate when invoicing what is service and COVID-19 related. SMT were recommended to ensure that services had recorded the details of any agreement with suppliers in the shared google sheet and review arrangements to ensure that they were still appropriate.

- 3.6 The supplier relief register contained 40 entries at the time of testing. Upon review of the register we identified a very small number of relief cases recorded for Council contracts in Children's Services and the Core (ICT and Capital). We raised this with the Strategic Lead who was assured through his knowledge of the Council's contract portfolio that the register did not contain any significant omissions. We were informed that the majority of Children's contracts continued and suppliers were not generally facing a sudden reduction in demand. One major exception was home to school transport where we confirmed arrangements had been put in place.
- 3.7 Subsequent amendments were made to the guidance to include the future requirements contained within PPN 04/20. These recognised the need for contracting authorities and suppliers to work in partnership, to plan an eventual exit and transition to a new sustainable model taking into account strategic and reprioritisation needs. The need for transparency was emphasised again and to enable future scrutiny, officers were advised to complete the review form, have the correct approval for any relief and record the review meeting in the register.

4. Key Areas for Development

- 4.1 We selected seven entries on the register to confirm the documentation available to support the relief detailed in the register. Contract managers were required to have evidenced, justified and recorded reasons for supplier relief. It was evident that the approach taken was inconsistent; the recording and approval of relief took different forms including emails, verbal approval, approved change control and contractor change notice forms. We confirmed with the Strategic Lead that although template forms were produced these were not mandatory and could be used to complete a retrospective record in the absence of another record and were set up to help contract managers. In some cases where relief had already been agreed prior to the forms being issued or where contract managers had separately captured the required information through another process they were not required to complete another form. The inconsistent approach to recording relief could be attributable to the fact that the instructions on the supplier relief register advised officers to discuss the options that might be available and then follow up with confirmation of any formal relief agreed by email to the supplier. Whereas the guidance document issued by ICP was more specific in the use of template forms for recording any relief.
- 4.2 In one case there was an entry on the register for a public health contract (Nutrition Service) however, when we contacted the relevant officer to request paperwork to support the relief given we were informed that no relief was requested or given in relation to this contract. We were informed that this was added due to initial uncertainty regarding the number of staff in health services

who would be transferred to Covid related roles. Public Health had initially through a larger set of contracts would be affected by this. The corporate transition from Google to Microsoft during this time may have limited individuals' access to the register which may explain some of the gaps in data or the absence of recent updates regarding any relief.

- 4.3 The register did not provide details over transition plans and there was also little evidence from the register of review meetings taking place, despite the inclusion of this in revised guidance following PPN 04/20. There was recognition from the Strategic Lead that there was now a need for the ICP team to proactively undertake follow up activity with contract and commissioning colleagues to determine the current position in terms of relief and any additional requirements around support or guidance. Internal audit supports this initiative.
- 4.4 We were informed that advice was given by the ICP team during this time although there was no central log of advice given and instead this would have been verbal or by email, a number of examples were provided and reviewed as part of the audit. The use of a register would help to ensure consistency in the messaging and advice provided and could be used to record any verbal advice given.
- 4.5 As yet, there was no management information available to show the extent of relief requested or awarded across the Council's contract portfolio along with the financial value of any relief which we would expect would be useful data for senior officers. We discussed this with the Strategic Lead who was receptive to producing an overall report which would demonstrate the totality of relief given and impact of this on our suppliers during this time.

**N. Children's Services – Children's Commissioning
Placement Finding - Review of Core Processes: Executive Summary**

Audit Objective	Assurance Opinion	Business Impact	
To provide assurance over current arrangements and controls within CPT and Contracts and Commissioning to support placement finding activities.	Limited	High	
Sub objectives that contribute to overall opinion		Assurance	
There are clearly defined and discharged roles and responsibilities.		Reasonable	
There are appropriate policies and procedures for placement finding activity and these are complied with.		Limited	
Monitoring and reporting is sufficient to support monitoring, challenge and decision making.		Reasonable	
Key Actions	Risk	Priority	Planned Action Date
Current improvement work to improve the efficiency and effectiveness of placement finding activity should seek to address the compliance issues identified in audit sample testing.	Significant	6 months	30 September 2021
Improved controls are needed covering the timely issue, signing and return of IPAs.	Significant	6 months	30 Sept 2021
The use of management information should be explored to enable prompt identification of outstanding unpaid invoices, unbilled care and duplicate payments.	Significant	6 months	30 Sept 2021
More robust controls are needed to ensure the proper closedown of placements to prevent payments continuing after a placement has ended.	Significant	6 months	30 Sept 2021
Assurance Impact on Key Systems of Governance, Risk and Control			
Finance	Strategy and Planning	Resources	
Information	Performance	Risk	
People	Procurement	Statutory Duty	

1. Audit Summary

- 1.1. The Centralised Placements Team (CPT) and the Commissioning and Contracts Team support Social Workers in ensuring that appropriate placements are identified for looked after children across the City. This can be in regulated internal or external provision.
- 1.2. The objective is to provide looked after children with the most appropriate placement to meet their needs and improve their outcomes and placement finding is a key element of that process. Internal Audit agreed to provide some independent assurance over the current placement finding processes in operation. Given the inherent risks to children and young people should placement finding activity not work effectively we classified this area as having a high business impact.

2. Conclusion and Opinion

- 2.1 We are only able to provide a limited level of assurance over current arrangements and controls within the Central Placements team (CPT) and Children's Commissioning and Contracts team to support placement finding activities. It is recognised that this is a complex area which also requires input from finance officers and practitioners. We acknowledge the considerable work undertaken to strengthen key placement finding processes and in developing greater understanding of the market. Actions taken included the identification of service priority actions and the tracking of these within the Commissioning and Contracts (C&C) Service plan. Recent developments have also included the review and refresh of workflow diagrams to better describe the processes and a procedural document and checklist proforma covering provider due diligence.
- 2.2 However there is a need to continue to work towards ensuring compliance with the core processes taken to find appropriate placements and in ensuring that records supporting all actions are sufficient. There remains a lack of consistency recognised by management and inherent risks regarding financial control; duplicate and overpayments remain and this has prevented us from being able to give a higher assurance level at this time. We are supportive of the confidence management have in the plans to strengthen controls and further work planned to embed key controls; increasing management assurance checks on placements, documentation and payments; increased use of Liquid Logic and reduced dependence on the manual monitoring spreadsheet which should all increase assurance in the end to end system.
- 2.3 Our testing showed there was greater transparency over agreed placement fees and charges through IPAs (Individual Placement Agreement) since our audit of the Foster Care Framework in 2016. However there remains a gap between placements made and ensuring that contracts are confirmed with IPAs as required by the process (to support payments). However current controls are not sufficient to enable the identification of duplicate payments (child paid for twice to two different carers/providers) or overpayments to carers. We are aware there have been several high cost overpayments which have been found

recently by chance through the audit and other means. Further exploration of the system and potential gaps in controls in this part of the process are needed to reduce the reputational and financial risk to the Council and the use of automated reports in Controcc should be considered to support this. We have advised managers to agree who should take the lead on exploring and resolving the system issues in the overpayment issue and suggest this should be the Head of Fostering who has oversight of the placements with input from finance as needed. Finance are working with Audit support to resolve the actions needed to recover the four identified overpayments at this stage however additional capacity may be needed for the resolution of historical debts should this issue be found to be more widespread.

- 2.4 Our sample testing highlighted that there are areas where improvements are required to enhance the placement process and the audit trails supporting arrangements and costs. There was a recognition by management of the need to adapt processes to maximise efficiency and streamline placement finding activity across the various teams (CPT, Commissioning & Contracts and Social Worker teams) and considerable work has been done to date with this aim in mind. This momentum should not be lost and we support the positive attitude to improvement and the willingness of officers to ensure that these improvements continue to embed. We suggest some specific measures to demonstrate progress would support management and officers working in this area to know how they are progressing. A scorecard could be a useful tool.
- 2.5 There was clarity over the respective roles and responsibilities of key teams involved in placing a child and it was clear from testing that roles and boundaries are clear. Detailed workflow diagrams have been refreshed recently to define the placement finding pathway which will support management in reviewing compliance. We were informed that there is regular and effective communication between the Commissioning Team, CPT and Children's finance however there was still work to do in streamlining cost management and reporting.

3 Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1 Our sample testing covered 25 placements made between April and November 2020 and from a review of processes during this timeframe a number of improvements to systems were apparent. This included the introduction of a revised more detailed IPA template and the requirement for commissioning officers to input the cost of the placement into Controcc (the electronic payment system), which was an action previously completed by the social worker.
- 3.2 There was evidence that active decision making over placements continued despite the impact of Covid-19. Two of the placements were in preparation for unborn babies and there was evidence that arrangements and records were put in place in advance of the birth in line with expectations. This meant the placement could start quickly after the child was born. A further case we examined involved the placement of a child by the Emergency Duty Service where the child was found a placement promptly and key records to support the

placement had been completed in line with expectations. Daily placement meetings occur which ensures officers are aware of their priorities for the day and team meetings and supervisions take place regularly as expected and enable timely and constructive management input.

- 3.3 “On hold” reports were regularly run within Controcc to determine how many invoices were mismatched and needed Commissioning and Contract team fixes to resolve. This action helps reduce delays in payments to suppliers and also can highlight why mismatches are occurring. The team then works through the appropriate fixes needed to allow them to be released for payment. Additionally both the Payments Team Manager and Team Manager- Commissioning and Contracts were able to run a report based on the amount of outstanding notifications for each team to be able to manage any underperformance within this work. The use of the system based reports should be extended to enable the prompt review of active payments to allow for identification of potential duplicate and over payments.
- 3.4 A positive development was the introduction of the use of the notes section on invoices within Controcc when mismatched and rejected for payment. This enabled timely communication between the allocated officer in the payments team and the Commissioning and Contracts officer with the provider portfolio to resolve and confirm payment. We were told this provided a quicker and more streamlined way of working in the system, complete with an evidence trail of associated actions and timelines to address anomalies. The introduction of the requirement for Commissioning and Contracts officers at the start of a placement to add details around future discounts and timescales when these will apply should help to minimise potential future mismatches and reduce any resulting payment delays.
- 3.5 There are additional actions planned which should improve the overall control environment, examples include IPAs being built into Liquid Logic and a business objects report which can then used to identify the IPAs still in draft which require finalisation. This remains a key control in the process which requires attention. The Team Manager Commissioning and Contracts is working closely with Children’s Finance to develop a regular aged debt report to measure and report the successes and reductions made and allow Commissioning and Contract officers to prioritise the largest volume and aged debt invoices. We were told this has reduced from £6.5 million as at March 2020 to £1.9 million as at 1st February 2021 which is a substantial and positive reduction but there remains work to do.

4. Key Areas for Development

- 4.1 Audit sample testing of 25 placements between April and November 2020 identified a number of compliance issues. We consider further work is needed to strengthen the evidence provided to support placements and to increase consistency in the approach. This will ensure that all relevant information is available to support placement decisions and should minimise the need for follow up on gaps and queries. This is important to support management control of budgets as well as ensuring that clear audit trails are maintained. We

understand the inherent data challenges involved in the use of multiple systems, spreadsheets and emails required in the day to day placement finding activities and we support plans to maximise the use of Liquid Logic and Controcc to automate checks wherever possible.

- 4.2 A table is included at Appendix 1 to provide further details on the nature of issues identified which included: some blank or missing fields in the required template forms, insufficient record of approvals for placements; the absence of required records; delays in the recording of information on Liquid Logic; delays in obtaining a signed IPA or absence of a signed IPA, placements made without the input of CPT, unpaid and unbilled placement fees and incomplete details on the CPT tracker which remains a complex document to administer.
- 4.3 We acknowledge that management are aware of these issues and there is ongoing development work being undertaken defined in the C&C Service Plan. This should be reviewed against the risks highlighted within this report to ensure these are being addressed as part of this service plan and in a programme of service improvement.
- 4.4 A review of records relating to a placement costing £5,445 per week identified that the Permission to Accommodate (PTA) did not include Head of Service approval as required for a placement of this value. The IPA was signed by the Team Manager (Commissioning and Contracts) although a higher level of approval was required given the value of the placement and this did not follow existing delegated authority levels. A review of Liquid Logic did confirm that the PTA had been approved by the Deputy Director although this level of approval was not reflected on the face of the PTA or IPA.
- 4.5 In one placement a review of key records showed that approval for the placement was not obtained at the correct time and was after the placement was identified by the social worker, arrangements made to commence introductions and a moving date already arranged. This was a high cost placement at £1,300 per week the child was placed 30 September 2020 and recorded approvals dated 2 October and 8 October 2020. Records relating to the placement confirmed this was made without the required approvals. The potential disruption to the child should they be moved was documented and so a senior officer had subsequently approved the placement. A further case showed a child was placed by the social worker team and CPT were not made aware until after the child was placed, no PTA or Internal Matching form had been completed for this placement. This "pre- allocation" process which is driven by urgency and needs in some cases demonstrates the inherent and fundamental risk that arrangements can be made without following due process and we advise that there is a reminder to all Providers that they should only agree any placement formally with CPT and confirm agreement with IPA details which is the contract supporting placement and payment. We recognise there will be extreme and urgent exceptions and consider that management should describe the process to be applied should that be the case.
- 4.6 From a review of IPAs for external placements it was evident that sometimes there were significant delays in the signed IPA being returned by the provider.

It was not clear whether this was as a result of delays in this being sent to the provider or if providers are not returning on a timely basis. There was no clear process for follow up and for the specific requirement for providers to return IPA before payments would be processed. In some cases the IPA was not signed by the provider until after Internal Audit had requested the paperwork to confirm an audit trail. We also noted that it took a considerable amount of time between Internal Audit requesting the IPAs for the audit sample and receiving them from the team. This is a long standing and significant concern as there is no formalisation to contractual arrangements. The controls surrounding this part of the process require strengthening to ensure that IPAs are issued more promptly and a system introduced to enable prompt chasing of IPAs which are not returned by providers. Whilst we are aware of plans for these to be added to Controcc, controls are needed in the intervening period to provide greater assurance over this. A straight forward addition to the checklist of actions would identify these gaps and should be a KPI for measuring performance of this part of the process.

- 4.7 Our testing and the subsequent identification of a number of issues by management in Foster Care and Finance demonstrates that further work is needed to explore options for the improvement of controls around contracting and payments. This should consider how the risk of payments to more than one carer for the same child and period could be identified in advance to prevent the overpayment given the sometimes complex situation of children being moved between differing placement settings. This includes ceased arrangements and transfers in internal foster carers; Special Guardianship Orders, extra allowances and other costs. While post payment checks may be used to identify and recoup overpayments it is important that the controls within the placement process enable preventative checks to be made.
- 4.8 In our view and management recognise there is a need for more work to be done on maximising compliance on core processes and where possible to make the process more streamlined and efficient. We consider the current work management have planned to strengthen placement finding processes will help, we have discussed and proposed that the following could also be considered:
- The approval section of the Permission to Accommodate (PTA) form included space for Team Manager, Service Manager and Head of Service approval although all three layers of approval are not always required, this depends on the cost and nature of the placement. The form could provide a prompt when each layer would be required to maximise compliance and 'not applicable' could be inserted where relevant rather than this being left blank to provide more clarity.
 - A matching form is used for placements with internal providers/carers this is not currently used for external provision which could be introduced which would help to provide evidence over the reason behind the selection of a particular provider along with the agreed costs.
 - The current CPT tracker contains 54 columns, whilst this gives a single view of all placements and changes in the level of support for existing placements, there were gaps and errors in the detail contained on the spreadsheet and it was not clear from this whether all steps had been

completed in a timely manner by the correct team. If management consider there is a continued need for this tracker we suggest a number of administrative changes could be made to reduce the time required to complete fields within the tracker to improve completeness. Our suggestions include; the streamlining of columns so all of the columns required to be completed by say the contracts and commissioning team are together, increased use of auto populated fields within cells to reduce the need for manual input (for example, for internal placements, all fields relating to the IPA, due diligence or other work by the contracts and commissioning team could be set to auto populate to read N/A, another example would be for external placements the matching form could be set to N/A or for on framework providers setting the due diligence cells to N/A).

O. Corporate Services – Integrated Commissioning and Procurement Supplier Due Diligence: Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance over the developing arrangements in place to ensure that effective assessment of suppliers' financial resilience is undertaken	Reasonable	High

Sub objectives that contribute to overall opinion	Assurance
Roles, responsibilities and expectations are clearly defined and understood	Limited
Systems and processes are in place to establish and assess supplier financial resilience	Reasonable
Arrangements are in place to respond promptly to any financial resilience concerns	Reasonable
Management information is sufficient to support decision making	Limited

Key Actions	Risk	Priority	Planned Action Date
Development and dissemination of guidance on ongoing financial due diligence to all relevant contract management and commissioning officers	Significant	6 months	30 November 2021

Assurance Impact on Key Systems of Governance, Risk and Control		
Finance	Strategy and Planning	Resources
Information	Performance	Risk
People	Procurement	Statutory Duty

1. Audit Summary

- 1.1 Following the collapse of a supplier working on the Manchester and Salford Inner Relief Road in 2019 a lessons learned exercise prompted a review of existing due diligence arrangements for the Council's significant contracts, which highlighted the need for further controls to be implemented. Emphasis was also placed on mitigating supplier failure as a result of Covid-19 and several measures have been taken in response to the Government's procurement

guidance. Internal Audit agreed to provide independent assurance over the developing arrangements to ensure that suppliers' financial resilience is being appropriately assessed post contract award. Given the level of expenditure attached to contracts supporting Council business and the inherent risk of working with external organisations, we have classified this area as having high business impact.

2. Conclusion and Opinion

- 2.1. We are able to provide a **reasonable** level of assurance over the developing arrangements in place to ensure that effective assessment of suppliers' financial resilience is undertaken.
- 2.2. A number of positive steps have been taken including a subscription to Company Watch, a credit report agency used by central government that will allow for contract managers to proactively monitor suppliers' financial resilience and the establishment of the Due Diligence Working Group. The Integrated Commissioning and Procurement team (ICP) have undertaken financial due diligence checks on key suppliers and across portfolios and have commenced improvements to guidance and contract registers. Some areas were carrying out regular financial due diligence and all 13 of the Contract Managers interviewed were undertaking regular contract reviews. In addition, all 13 contract managers and the 14 additional staff involved in commissioning roles we interviewed were well placed and willing to conduct Company Watch searches, alongside more informal due diligence currently happening.
- 2.3. We highlighted however that regular post contract award financial checks were limited, roles, responsibilities and expectations were not clearly understood, and approaches differed both across and within the different directorates. We consider that further work is needed to follow up with colleagues in commissioning and contract management roles to ensure that there is a more standardised approach that includes escalation, oversight and use of management information. The lack of financial checks is in part due to a lack of awareness of the need for due diligence combined with gaps in understanding around the responsibilities of contract managers and the lack of progress made by the established Due Diligence Working Group. There are now however systems and processes place that should allow significant improvements in this regard. We note that a number of additional positive steps have been taken by the ICP team since the time of our fieldwork.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1. A Due Diligence Working Group was established to ensure that a consistent approach to due diligence is embedded across the Council. There was representation from key areas of the Council (ICP, Audit, Finance etc.) with a view to expanding membership as the framework develops. A Terms of Reference was agreed by Commercial Board (to which the working group is accountable), which clearly defines roles and responsibilities around developing

processes for due diligence.

- 3.2. The 'Guide for extent and frequency of contract management activities' states that suppliers' financial resilience should be assessed either annually or bi-annually by contract managers based on the criticality rating of the contract. Whilst this had not been cascaded to relevant individuals this guide was available on the ICP intranet pages.
- 3.3. Financial due diligence checks were undertaken at contract award during open or restricted tender process run via the Chest portal. Suppliers were risk rated for 12 months with advice given by the finance team.
- 3.4. A contract has recently been finalised with Company Watch, a credit rating agency which allows users to search any company and obtain detailed financial information including a score outlining the risk of financial failure. Access and training have been provided to the ICP team and cascaded to finance and several key commissioning staff across the Council. The ICP team plan to direct relevant officers in commissioning roles to the training and continue to expand access across the organisation. Officers who have used the system so far agreed that it is user friendly and valuable for contract management. This is an effective tool for monitoring supplier financial resilience and allows for ICP to have oversight of all searches made if required.
- 3.5. The ICP team have undertaken several targeted Company Watch checks and alerted relevant contract monitoring staff where suppliers were considered to be at risk. In addition to critical contracts, these checks have been made across portfolios e.g. homelessness. Alerts have also been set up to notify the relevant officers of score changes for critical contracts and suppliers.
- 3.6. The Adults and Social Care and Children's commissioning teams both commented that the respective commissioning functions were undergoing transformation and that due diligence could be embedded into new working practices.
- 3.7. Contract monitoring was taking place in all the 13 contracts tested with regular meetings, management reports, inspections and information requested from suppliers. Whilst no formal financial due diligence checks were taking place in those sampled, many of the contract managers referred to informal tools such as word of mouth, relationships with contractors and general supplier observations (e.g. high turnover of key staff) as well as 'red flags' built into contract KPIs such as prompt payment. Children's also mentioned use of a 'glass ceiling' tool where past employees' comments are used as a red flag.
- 3.8. Financial due diligence was taking place regularly in some areas; Highways PMO undertakes financial checks every 6 months on all contractors and attends monthly meetings with the ICP team and finance. The North West Construction Hub undertakes monthly Company Watch checks across all contractors on their frameworks.
- 3.9. All the staff we spoke to agreed that financial due diligence was important and

were happy to incorporate into their working practices.

- 3.10. The Principal Finance Manager advised that he has had direct contact from Senior Officers requesting formal due diligence checks on high profile, high risk contracts that have not gone through the Chest portal.
- 3.11. We saw evidence of several recent examples where financial resilience concerns have been raised and addressed across Council services.
- 3.12. A new contract management system is being procured with financial due diligence being considered as part of the specification.
- 3.13. We sought to establish the extent to which the Council adheres to the 30-day Prompt Payment Code for the sample tested and we confirmed this was the case for 12 of the 15 sample invoices tested. Of the remaining three invoices, two payments cleared in 49 days both due to late invoice processing by the requisitioner. one Invoice cleared in 117 days due to a SAP input error which prevented the payment from being released but was later rectified.
- 3.14. Whilst there were no defined formal escalation procedures or reporting routes, all departments and Contract Managers we spoke to were able to describe how they would respond to financial concerns and some provided evidence of examples where this had occurred. A number had also considered resilience arrangements and how they could respond to supplier financial collapse.

Key Areas for Development

- 3.15. Through interviews with 14 commissioning leads/officers and 13 contract managers across Neighbourhoods, Growth and Development, Children's Services, Highways, Corporate Services, IT and Adult Social Care we established that there was no consistent approach towards ensuring the ongoing financial due diligence of suppliers.
- 3.16. Whilst we support the aims of the Due Diligence Working Group, since April 2020 there has been only one meeting (scheduled quarterly), which we were informed was due to lack of resources. The working group aims to produce a process map of when, where, how and by whom due diligence is undertaken across the organisation which will allow for a more consistent and structured approach moving forward. Progression of this framework should be prioritised in line with the agreed actions from the MSIRR lessons learned review to ensure initial momentum is not lost.
- 3.17. The 'Guide for extent and frequency of contract management activities' has not been cascaded to staff and the Contract Management Handbook did not mention financial due diligence. 10 of the 13 Contract Managers interviewed were not aware of the need for regular financial due diligence post contract award and none of the 13 were undertaking regular financial due diligence checks.
- 3.18. Whilst the Company Watch contract provides a valuable tool, this is currently in its infancy and access has not yet been offered beyond senior commissioning

officers. None of the 13 contract managers interviewed had access to Company Watch. Further work is needed to extend the current allocation of Company Watch licences to relevant officers and functions across the Council and appropriate training is needed to ensure the system is utilised correctly and to ensure maximum value. Some of the staff interviewed were concerned that they may not have the skillset required to assess the reports however this could be rectified with a simple guide for staff and consultation with finance where there are any concerns.

- 3.19. There was no formal escalation process for financial resilience concerns. As a result, all the contract managing officers interviewed were unclear as to whom they should report concerns, and all stated different processes in terms of contacting finance/ procurement/ Heads of Service/ suppliers directly.
- 3.20. There was no management information framework in place and there was very little management information produced. Whilst the Highways PMO advised they would look at creating a generalised report for their 6 monthly financial checks and ICP ran a Company Watch user report there was no other reporting to either management or any relevant boards to provide assurance over the financial resilience of key suppliers. We were informed that the intention is to include this in the new contract management system.
- 3.21. Our interviews concluded that there was no consistent approach towards contract management across the directorates and the format in which contract registers are kept was also inconsistent. In many cases there was no risk or criticality rating held against contracts. We note that the criticality tool may not be applicable to all contracts, however a consistent approach to risk rating on contract registers would allow for snapshot reports to be provided to SMT and DMTs on request.
- 3.22. We acknowledge that the formal financial checks are only as accurate as the financial information submitted by suppliers, and are being based on the last filed accounts, which can be 18 months out of date. This emphasises the importance of services and contract managers being aware of both informal means of due diligence (e.g. market intelligence and local intelligence) and business continuity in the event of supplier failure. We discussed this with the Risk and Resilience Lead who is currently looking at including a review of suppliers within Business Continuity Plans and requiring documentation around what would be done in the event of supply chain failure which we support.
- 3.23. Whilst there was an established process for pre contract financial due diligence checks for procurements run via the Chest portal, those not going through the Chest may not always undergo the same levels of scrutiny. This therefore highlights the importance of all commissioning and contract management staff being aware of the need for such checks.

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Appendix Three: Basis of Audit Assessments (Opinion/Priority/Impact)

Level of Assurance	Description		
<i>The level of assurance is an auditor judgement applied using the following criteria</i>			
Substantial	Sound system of governance, risk management and control. Issues noted do not put the overall strategy / service / system / process objectives at risk. Recommendations will be moderate or minor.		
Reasonable	Areas for improvement in the system of governance and control, which may put the strategy / service / system / process objectives at risk. Recommendations will be moderate or a small number of significant priority.		
Limited	Significant areas for improvement in important aspects of the systems of governance and control, which put the strategy / service / system / process objectives at risk. Recommendations will be significant and relate to key risks.		
No	An absence of effective governance and control is leaving the strategy / service / system / process open to major risk, abuse or error. Critical priority or a number of significant priority actions.		
Priority	Assessment Rationale		
<i>The priority assigned to recommendations is an auditor judgment applied using an assessment of potential risk in terms of impact and likelihood.</i>			
Critical	Significant	Moderate	Minor
Actions < 3 months	Actions < 6 months	Actions < 12 months	Management discretion
<ul style="list-style-type: none"> • Impact on corporate governance • Life threatening / multiple serious injuries or prolonged work place stress • Severe impact on service delivery • National political or media scrutiny • Possible criminal or civil action • Failure of major projects • SMT required to intervene. • Statutory intervention triggered. • Large (25%) impact on costs/income • Impact on the whole Council. 		<ul style="list-style-type: none"> • Some impact on service governance • Some risk of minor injuries or workplace stress • Impact on service efficiency • Internal or localised external scrutiny • Procedural non compliance • Impact on service projects • Handled within Service • No external regulator implications • Cost impact managed at Service level • Impact on Service or Team 	
Impact			
<i>Impact is the auditor assessment of criticality of the strategy / service / system / process being audited to the achievement of the Council's priorities and discharge of functions and duties in the following areas. This is described in the Audit Terms of Reference</i>			
Strategic Objectives		Key Partnerships	
Safety and Welfare		Finance and Resources	
Corporate Risk		Key Service Fulfilment	
Organisational Change		Statutory Duty	

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**Manchester City Council
Report for Information**

Report to: Audit Committee - 23 November 2021

Subject: Outstanding Audit Recommendations

Report of: Deputy Chief Executive and City Treasurer / Head of Audit and Risk Management

Summary

In accordance with Public Sector Internal Audit Standards, the Head of Audit and Risk Management must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”. For Manchester City Council this system includes reporting to directors and their management teams, Strategic Management Team, Executive Members and Audit Committee. This report summarises the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

Recommendations

Audit Committee is requested to note the current process and position in respect of high priority Internal Audit recommendations.

Wards Affected:

All

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Tel: (0161) 234 3506
E-mail: carol.culley@manchester.gov.uk

Name: Tom Powell
Position: Head of Internal Audit and Risk Management
Tel: (0161) 234 5273
E-mail: tom.powell@manchester.gov.uk

Name: Richard Thomas
Position: Deputy Head of Internal Audit and Risk Management
Tel: (0161) 455 1019
E-mail: richard.thomas@manchester.gov.uk

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 four years after the date of the meeting. If you would like a copy, please contact one of the contact officers overleaf.

- Outstanding Audit Recommendations Report to Audit Committee - July 2021
- Head of Audit and Risk Management Annual Opinion – June 2021

1 Introduction

- 1.1 Audit Committee are provided with regular reports on actions taken to address outstanding high priority recommendations made by both Internal and External Audit.
- 1.2 There are four categories of recommendation priority: critical, significant, moderate and minor. This report provides the details of progress to address outstanding recommendations in the high risk (critical and significant) categories and an update on proposed next steps. This report focuses solely on Internal Audit recommendations, as there are currently no high priority External Audit recommendations currently outstanding.

2 Standard Process

- 2.1 Internal Audit usually follows up management actions on high-risk recommendations at least quarterly to obtain assurance that progress is being made to address risk. Management is required to provide demonstrable evidence to show that agreed actions have been implemented. Internal Audit considers this evidence and may choose to 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 Where a limited or no assurance opinion is issued, a full follow up audit is undertaken after 6-12 months to test whether agreed areas for improvement have been addressed.
- 2.3 Progress made in the implementation of agreed actions from audit reports is reported quarterly to Directorate Leadership Teams (DLTs), Strategic Management Team (SMT) and Audit Committee. Executive Members are notified of high priority recommendations reaching six months overdue. At nine months overdue, Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and progress to either address or accept the reported risks.
- 2.4 In accordance with Audit Committee expectations, the risk relating to recommendations that are not fully implemented will not be written back to Strategic Directors when they are over 12 months past the agreed implementation date. This period has been extended to 18 months and Directors will continue to attend Committee to outline the reasons for delay and mitigating actions that they consider have reduced risk exposure to a tolerable level.

Current Implementation Position

- 2.5 The position in terms of high priority internal audit recommendations implemented is summarised below and in detail at Appendix 1. Overdue recommendations are detailed in Appendices 2 and 3.

Outstanding Recommendations – over 12 months

- 2.6 Of six outstanding recommendations reported to Audit Committee in July 2021, three from the audit of Planning for Permanence in Childrens Services have been confirmed as implemented. The three remaining recommendations are as follows:

Directorate	Audit Title	Due Date	Months	Status
Adults	Mental Health Casework	30/9/19	25	Not implemented
Adults	Transitions	30/6/18	40	Partially implemented
Growth and Development	Section 106 Agreements	31/5/20	17	Partially implemented

- 2.7 Mental Health Casework – seven recommendations have been addressed but one remains outstanding. This relates to the development of processes for reconciling safeguarding referrals and the outcomes of these between the Council and the Trust. This is currently a manual process that involves re-keying of information between systems and as such is time intensive and presents risk of error. Issues arising from the Council’s move to Liquid Logic and the Trust’s move to Paris, along with a change in priorities and working arrangements because of Covid19 have impacted on both organisations’ abilities to prioritise this work. Work is planned to develop the required reconciliation processes between Liquid Logic and Paris but we understand this is unlikely to be in place until late 2021.
- 2.8 Transitions – As previously reported to Audit Committee this audit resulted in three recommendations of which two have been completed. The final one to be implemented relates to the agreement of Success Criteria for transitions from childrens to adults social care. These are being developed as part of the Better Outcomes Better Lives Programme and review of these criteria will be undertaken as part of a planned audit of the BOBL programme in December 2021.
- 2.9 Section 106 Agreements - Significant work has been completed to create a new database; providing clear and comprehensive information required to monitor and report the status of S106 across the Council. The database continues to be updated, refined and improved, on an incremental basis. To assure that this positive progress continued and that positive changes were sustained, we classed the recommendation as being ‘partially implemented’. Changes in operational governance and a revision of the staffing structure are planned to facilitate and enable this. Following the appointment of the new Director for Growth and Development, structure plans are now scheduled to be completed by December 2021 with recruitment expected by the end of February 2022. We will close the recommendation as complete once this final element of the process is complete.

Significant / Critical Overdue Recommendations – less than 3 months

- 2.10 There are three recommendations that have been overdue for less than three months. One is partially implemented and relates to Our Town Hall (Management of Work Packages) and the other relates to Children’s Services Placement

Finding.

Not Yet Due

2.11 A total of 17 recommendations are not yet overdue (8 moderate / 9 significant) that will be tracked through to implementation. These have been agreed as part of audit work and reports finalised in the period May 2021 to October 2021.

3 Recommendations

3.1 Audit Committee is requested to note the current process and position in respect of high priority Internal Audit recommendations.

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Appendix 1 – Implemented Recommendations

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Planning for Permanence	20 April 2020	Locality Managers should confirm which staff in their locality have not received any training or briefings on the policy and consideration should be given to running some additional events for those who have not yet been trained.	This will be addressed by continuing to run additional training events to ensure all staff have receive required training and by refresh of the induction process to include reference to awareness of the revised policy.	We can confirm that training is included in the staff induction and in the ASYE (newly qualified social worker) training plan. We have also seen evidence of more catch-up training courses being arranged for any social workers who have not completed the necessary training including one to be run in November. We are therefore now more assured that there are sufficient arrangements in place to ensure all staff are appropriately trained. We therefore consider this recommendation to be fully implemented.	No further action required
Planning for Permanence	20 April 2020	Further performance measures should be developed to assess the effectiveness of permanence planning and then incorporate these in the Permanence score card.	Performance Improvement Board will continue to review performance monitoring to ensure continuous improvement and in considering the effectiveness of the permanence scorecard.	We can see a number of performance measures have been introduced and are reported on a monthly basis, the benchmarks used are part of the strategic PMF (Performance Management Framework) with targets including Placement Stability, long term stability and Permanence Plan at 2nd LAC review. All of these have clear targets to aim for. We therefore consider this recommendation to be fully implemented.	No further action required
Planning for Permanence	20 April 2020	The Permanence Improvement Board should review the impact of the initial roll out of the policy and to	Senior Management will continue to raise awareness of the importance of the PPM process and	Management confirmed they have reviewed and revised the permanence strategy to be clear that 'permanence' is	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>address any key issues, such as those identified in our review. Focus should be given to Permanence Planning Meetings (PPM) and how arrangements can be revised to make them more achievable. Requirements of PPM should be included, where applicable, in the Children's QA framework to ensure a level of consistency across each locality.</p>	<p>engagement of social workers in this process.</p>	<p>everything done to secure loving homes for children at the earliest opportunity. They confirmed that the QA framework scrutinises every aspect of the child's journey whilst working with social work is firmly captured in the QA framework. They confirmed that the requirements around permanence planning meetings have changed. Rather than there being set timescales for these meetings, as was the case at the time of our audit, they should happen as and when required; to secure a loving home for children within a <i>'team around the child'</i> framework. There are therefore no targets for completing planning for permanence meetings within specific timescales and so they are now more achievable as a result.</p> <p>We therefore consider this recommendation to be fully implemented.</p>	

Appendix 2 – Recommendations Over 12 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Mental Health Casework Compliance 5 April 2019	30 Sept 2019	The Director of Adult Services should ensure that a formal process is agreed and established with the Trust for a monthly reconciliation between safeguarding referrals sent and received. Trust and Council staff should work together to ensure that the new case management systems in each organisation – Paris and Liquid Logic, respectively – consistently record outcomes of safeguarding referrals, so that these can more easily be transferred across systems to ensure completeness of Council records and ability to monitor outcomes.	It is accepted that safeguarding outcomes need to be recorded in MiCare (Liquid Logic in future). Quality and Performance group will consider options to ensure this can be done efficiently and effectively.	<p>A system for reconciling safeguarding referrals and outcomes between the Council and the Trust is the final recommendation from this report to be addressed. Whilst overall the risks in this area have reduced as a result of the evident improvement in governance and controls in all other areas from the audit, this one recommendation remains outstanding.</p> <p>This specific recommendation has been impacted by the Council's move to Liquid Logic and the Trust's move to Paris, along with a change in priorities and working arrangements because of Covid. This has impacted on both organisations' abilities to prioritise this work. Internal Audit advised that work being planned to develop processes between Liquid Logic and Paris, however this is still likely to take time.</p> <p>Internal Audit Opinion: Not Implemented</p>	<p>Director: Bernadette Enright, Executive Director of Adult Social Services</p> <p>Executive Member: Councillor Midgley</p> <p>Status: 25 months overdue</p> <p>Action: To follow up by December 2021</p>
Transitions to Adult Services 15 Feb 2018	30 June 2018	To support day to day performance management the Interim Deputy Director of Adults Social Services should introduce a suite of Key Performance Indicators. This should be defined once the strategy and vision in place.	Key performance Indicators (KPIs) to be introduced.	<p>Qualitative measures of success have been developed based on the transitions strategy and cross system engagement and as a result the risks in this area have been reduced but not yet addressed in full.</p> <p>These are to be assessed as part of a three-month review within the BOBL</p>	<p>Director: Bernadette Enright, Executive Director of Adult Social Services</p> <p>Executive Member: Councillor Midgley</p> <p>Status: 40 months overdue</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		A long-term solution should be considered and built into Liquid Logic to help identify performance trends and provide assurance to senior management.		programme following which measures of success rather than specific KPIs will be determined and agreed. Internal Audit Opinion: Partial Implemented	Action: To review and confirm measures following completion of BOBL work by end November 2021
Section 106	31 May 2020	Reconcile the new database to the various records held across the Council and update the database to ensure details of all 106 agreements are recorded in a single place.	Accepted	The creation of the new database to bring together various records held across the Council has been completed. All the records have now been merged and the new database continues to be updated and improved on an ongoing basis. Older agreements requiring reference back to paper files for reconciliation is ongoing and is expected to be completed by the end of the financial year - 2021/2022. The appointment of a dedicated officer in the new structure will not be completed until the review of the structure has been implemented, at which point recruitment will be started and is expected to be in post by the end of the financial year - 2021/2022. Internal Audit opinion: Partially implemented	Director: Julie Roscoe until Becca Heron starts as new Strategic Director in October 2021. Executive Member: Councillor Rawlins Status: 17 months overdue Action: Remains partially implemented – to check progress again and liaise with newly appointed Director, with view to new Section 106 post being fully operational by March 2022.

Appendix 3 – Recommendations between 1 and 6 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Our Town Hall: Management of Work Package Delivery and Payments	31 August 2021	Follow up action is undertaken by the Project Team to confirm the Construction Cost Report maintained by F&G is updated to reflect the discrepancies identified as part of the audit and ensure the figures reported is in alignment with those maintained by the management contractor. Further work may be needed to undertake similar reconciliations for the other work packages to ensure the issues identified here are not widespread amongst other work packages.	<ol style="list-style-type: none"> 1. Conduct thorough review of each Works Package to ensure accurate allocation of budget transfers against all Instructions. 2. Transition the project from the current system of separate Lendlease and F&G cost reporting into a single project cost report based on the Kahua system. 3. Merge the two separate MEP packages contracted to NG Bailey into a single package to tidy up divergences. 	<p>Work on this has begun and we have been informed that a stepped approach is needed with several different tasks required to enable the final position to be agreed. Actions and timescales have been agreed with the cost consultants and the management contractor and the proposal is for this exercise to be complete by December 2021. We are satisfied that this work is in train and have reviewed evidence of the latest cost report variances which shows a current variance of £15,000 which is a significant reduction from the previous month. We will continue to monitor progress over the coming months.</p> <p>Internal Audit opinion: Partially implemented.</p>	<p>Director: Carol Culley, Deputy Chief Executive and City Treasurer</p> <p>Executive Member: Councillor Craig</p> <p>Status: Two months overdue</p> <p>Action: Progress to be monitored regularly up to 31 December 2021.</p>
Placement Finding: Review of Core Processes	30 September 2021	The Commissioning Service Manager with the support of officers from finance should determine how management information and reports	This is a complex area and one that also requires the input from finance officers and practitioners linked to the practice of placing	This recommendation fell due recently and whilst we have received an update from the service, we have yet to receive evidence confirming progress. We will be	<p>Director: Paul Marshall, Strategic Director of Children's Services</p> <p>Executive Member: Councillor Bridges</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>can be used to more promptly to identify and act on:</p> <ul style="list-style-type: none"> -outstanding unpaid invoices which require resolving; -unbilled care received; -instances where payments are being made to multiple carers for a single child. <p>-Other overpayments to carers/providers.</p> <p>This should then be produced regularly and shared with relevant officers to allow for these cases to be addressed. Work should also be undertaken with providers to ensure they are billing correctly in order to facilitate payment i.e., one invoice per child and this should include all costs related to the placement (accommodation plus any support costs).</p>	<p>children with care givers. CPT and CC do not always know when such issues arise particularly if they are internal foster carers. The Controcc system requires a high level of expertise which we do not have in the service, particularly to run reports which are accurate. This aspect is also a resource and capacity issue and discussions are on-going with senior leaders regarding this aspect.</p>	<p>undertaking a follow up audit for completion by the end of December 2021 which will include confirming the progress against this recommendation.</p> <p>Internal Audit opinion: Not implemented</p>	<p>Status: One month overdue</p> <p>Action: Follow Up audit planned for completion by end of December 2021.</p>

**Manchester City Council
Report for Information**

Report to: Audit Committee - 23 November 2021

Subject: Process for the Appointment of the External Auditor

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets out proposals for appointing the City Council's external auditor for the five-year period from 2023/24.

The Local Audit and Accountability Act 2014 (the Act) at Section 7 states that a "relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year." The City Council's current auditor contract with Mazars LLP has run from 2017 and was arranged through Public Sector Audit Appointments Limited (PSAA). It expires on completion of the 2022/23 audit.

The Council has three options to secure an appointment: to run a local procurement; procure in partnership with other authorities; or opt into a national arrangement. Options have been assessed and the preferred solution is to again opt into the national procurement being run by PSAA and supported by the LGA.

Legislation requires that the decision to opt-in to this arrangement must be made by Council.

Recommendations

Audit Committee is requested to consider the options for the procurement of external audit services and support the preferred option to opt into the sector-led option through PSAA for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Audit Committee is requested to endorse the proposal for the Chair to write to PSAA seeking assurance that their planned process for procurement and contract management is designed to address, as far as possible, the risks and issues evident in current external audit arrangements.

Wards Affected:

All

Contact Officers:

Carol Culley

Deputy Chief Executive and City Treasurer
Tel: 0161 234 3506
E-mail carol.culley@manchester.gov.uk

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.

Documents used in the development of the assurance report include:

- 2017 reports to Audit Committee and Council
- Local Audit and Accountability Act 2014 (the Act)
- Local Audit (appointing Person) Regulations 2015
- CIPFA Guide to Auditor Panels

1 Introduction

- 1.1 The Local Audit and Accountability Act 2014 (the Act) at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.” The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts.
- 1.2 In 2017 the Council opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 1.3 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make decisions about their external audit arrangements for accounting periods from 2023/24.
- 1.4 The closing date to opt in to the PSAA arrangement is 11 March 2022. This enables procurement and award of contracts by the statutory deadline of 31 December 2022.
- 1.5 This report sets out the options open to the Council and the basis of officers’ recommendation to Audit Committee to opt into the national arrangement with PSAA.

2 Background

- 2.1 There is a requirement under the Local Audit and Accountability Act 2014 for all local government and NHS bodies in England to locally appoint their external auditors.
- 2.2 There are three options open to the Council under the Act which are:
 - Option 1: Make a stand-alone appointment as Manchester City Council
 - Option 2: Establish local joint procurement arrangements
 - Option 3: Opt-in to a sector led body appointed by the Secretary of State under the Act - Public Sector Audit Appointments (PSAA) Limited.
- 2.3 New appointments for auditors need to be made by December 2022 regardless of which option is chosen.
- 2.4 In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, the decision on opt-in must be taken by Council (“full authority”).

Review of Options

- 2.5 A review of options was presented to Audit Committee and Council in 2017 to support the decision to opt in to the PSAA arrangements. The basis for that decision has not fundamentally changed in the intervening period and in summary the pros and cons of the options are:

Option 1: Make a stand-alone appointment as Manchester City Council

- 2.6 This option requires the Council to appoint an Audit Panel, separate in role and membership to the Audit Committee, to oversee the procurement and management of the external audit contract. It requires the whole or majority of the membership to be independent of the Council and this means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
- 2.7 This approach requires additional capacity and expertise to administer the process and to deliver the functions of the Panel. It will also result in the costs of tendering being borne solely by the Council.
- 2.8 The option limits the market influence that the Council has through the letting of a standalone contract and it is not guaranteed that firms will submit tenders for this work given widely reported capacity issues in the market and given they will also be competing as part of the PSAA arrangement. This presents a risk of being unable to make an appointment by the statutory deadline.
- 2.9 This option does enable the Council to determine cost, quality and social value weightings in its procurement process whereas opting into PSAA will require us to align with the scoring and appointment process agreed through their process.

Option 2: Establish local joint procurement arrangements

- 2.10 In 2017 an option was explored to establish Greater Manchester level procurement arrangements. Whilst affording greater economies of scale this approach does largely present the same risks and opportunities as the stand-alone option. It also increases the risk that firms will not bid as they are at heightened risk of having a conflict of interest at one of the authorities. The option has been discussed with Greater Manchester Treasurers and the consensus is that this presents a high level of risk with relatively low benefits compared to option 3.

Option 3: Opt in to PSAA

- 2.11 PSAA was the option selected in 2017 for the reasons set out below. Given challenges and capacity in the market and the need to maintain quality of external audit provision, there is an even stronger case that this option will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- collective procurement reduces overall costs for the sector and for individual authorities compared to smaller local procurements and contract management arrangements;
- there is no required to establish a specific Council auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term.

2.12 Key features of the PSAA approach are:

- contracts let under the PSAA opt-in will run for five years;
- contracts between PSAA and the audit firms will require firms to deliver audits compliant with the National Audit Office (NAO) Code of Audit Practice;
- the number of firms eligible to undertake local public audit is regulated through the Financial Reporting Council and the Recognised Supervisory Bodies (RSBs). Only appropriately accredited firms will be able to bid for appointments;
- PSAA will manage current and potential future conflicts of interest rather than the Council having to re-procure contracts should such conflicts arise;
- opting into the PSAA will remove the need to set up an auditor panel in addition to the Council's Audit Committee;
- in addition to working with the LGA, a stakeholder advisory panel with representative organisations for councils, police and fire bodies ensures ongoing influence and engagement with PSAA;
- PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members;
- scale fees will vary in line with the additional work needed which reflects risk and complexity (scale is set following consultation with opted in bodies);
- PSAA will manage variation requests and approve where appropriate; and
- This approach is supported and endorsed by the LGA.

- 2.13 The main downside with this option is the inability to determine the evaluation criteria that will be used for procurement. Given that the audit approach is mandated through standards and guidance there is minimal flexibility in the scope of work requested. Nonetheless current stakeholder networks through Core Cities and the LGA will be used to encourage the application of appropriate quality, cost and social value weightings. We expect quality to constitute a high element of scoring and note that is unlikely that PSAA will apply the same weighting to social value as is used by the City Council and would expect this to be no more than 5% of the total score.
- 2.14 The PSAA route was adopted by 484 of 494 bodies in the previous exercise. Feedback from across Greater Manchester and North West authorities, as well as Core Cities, is that they will be adopting this same approach in 2022.

3 Current Issues in External Audit Provision

- 3.1 Whilst the PSAA arrangement is the preferred procurement route, it needs to be acknowledged that there are significant inadequacies in current external audit arrangements across local government. Notwithstanding the impact of Covid19, the timeliness of external audit completion and reporting on the accounts is a concern for the Council and this reflects a national issue with the ability of the market to deliver on contracts and commitments. In October, PSAA confirmed that only 9% of 2020/21 audits were completed by the publishing date of 30 September and 15% of 2019/20 audits were also incomplete. The position last year was similar with over half of audits incomplete by the 30 November publishing date.
- 3.2 There a range of factors contributing to these delays and to concerns over audit quality. These are referenced in the Redmond Review and include a reduction in fee levels; the increased focus in financial reporting standards and audits on estimates, assumptions and valuations; skills and capacity; the narrow focus of the audit approach; and the need for more effective contract management, oversight and accountability.
- 3.3 It is essential for the reputation of the Council and the sector that there is a credible external audit process so the planned procurement and contract management approach to be adopted by PSAA needs to be designed to help address these concerns. Officers will continue to emphasise this to PSAA and subject to Committee comments the Chair is also invited to write to PSAA to seek assurance in this respect.

4 Next Steps

- 4.1 Subject to Audit Committee comments, a report will be provided to Council seeking approval for the preferred option. This will reference the comments of the Audit Committee.

5 Recommendations

- 5.1 Audit Committee is requested to consider the options for the procurement of external audit services and support the preferred option to opt into the sector-led option through PSAA for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.
- 5.2 Audit Committee is requested to endorse the proposal for the Chair to write to PSAA seeking assurance that their planned process for procurement and contract management is designed to address, as far as possible, the risks and issues evident in current external audit arrangements.

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 23 November 2021

Subject: Risk Review item: Governance and Management of Complaints and Information Requests 2020-21

Report of: Deputy Chief Executive and City Treasurer and City Solicitor

Summary

This report presents the complaints, enquiries and information request dashboard, which sets out the Council's annual performance for 2020/21 in the management of corporate and social care complaints, Councillor and MP enquiries, as well as information requests.

Recommendations

Audit Committee Members are asked to note the report and the key messages in relation to the Council's performance in these areas of Complaints and Enquiry management service and legal compliance.

Wards Affected: All

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3056
E-mail: carol.culley@manchester.gov.uk

Name: Poornima Karkera
Position: Head of Governance
Telephone: 0161 234 3719
E-mail: poornima.karkera@manchester.gov.uk

Name: James Binks
Position: Director of Policy, Performance and Reform
Telephone: 0161 234 1146
E-Mail: james.binks@manchester.gov.uk

1.0 Purpose of report

- 1.1 This report to members outlines the Council's management of complaints and related metrics, as well as information requests, during the course of the 2020-21 financial year.
- 1.2 Attached to this report at **Appendix 1** is the complaints and information request dashboard which covers data for the financial year 2020-21.
- 1.3 Committee are asked to note that, during 2020/21, the overall levels of stage one complaints received was comparable to the 2019/20 year, but there was a very different pattern with much larger volumes received in later quarters than the first quarter. The timeliness of responding to complaints has fallen below previous levels and our targets, but this is due to several specific factors during the year that are unlikely to impact as significantly in future years. This includes the impact of COVID-19 on staff and services, and the introduction of a new complaints system that has proved challenging to adopt effectively during the pandemic. Adult social care received a six-fold increase in the number of social care complaints received, influenced significantly by COVID-19 and associated service changes.
- 1.4 There was an increase in Freedom of Information requests and a significant number of Ombudsman enquiries, despite the Ombudsman suspending their casework for a period of the year.
- 1.5 Positive areas to note include a high number of instances of praise, fewer complaints were escalated from stage one to stage two, and a lower proportion of complaints, included those handled by the Ombudsman, were upheld.

2.0 Complaints and Enquiries Management

- 2.1 Whilst the accompanying dashboard highlights performance for each measurable indicator in more detail, in summary, the table below shows the annual performance for 2020-21, when compared with previous years.

Period	Stage 1 complaints	Responded to within 10 working days	Social Care	Responded to within 20 working days	MP enquiries	Responded to within 10 working days	No of Ombudsman Enquiries	Average no of days to respond and % upheld
2014/15	1864	89%	314	55%	1321	82%	39	28 (26% upheld)
2015/16	1841	85%	220	70%	1331	80%	27	28 (44% upheld)
2016/17	2243	81%	285	80%	1537	83%	17	27 (10% upheld)
2017/18	2013	87%	343	81%	1545	76%	22	27 (44% upheld)

Period	Stage 1 complaints	Responded to within 10 working days	Social Care	Responded to within 20 working days	MP enquiries	Responded to within 10 working days	No of Ombudsman Enquiries	Average no of days to respond and % upheld
2018/19	2253	80%	305	84%	1577	83%	35	26 (22% upheld)
2019/20	2140	74%	162	72%	1723	76%	20	26 (18% upheld)
2020/21	2103	58%	411	54%	1827	73%	38	21 (14% upheld) ¹

2.2 2020-2021 has been a challenging year as we responded to the pressures of the Covid-19 pandemic. The Council also changed how we record and manage complaints and moved over to a new system, Infreemation, based on a workflow process, rather than relying on email transactions. This has required a period of adjustment as staff adapt to a new way of working.

3.0 Performance Management of Corporate Complaints

3.1 **Stage one complaints. Expected standard - 85% of Stage one complaints responded to within ten working days**

3.1.1 The Council received 2,103 Stage one complaints in 2020-21, compared to 2,140 in the previous year. The year began with a very marked drop in complaints received in Quarter one, during the first period of the first lockdown, but as the year progressed and services became more disrupted, this increased until the year as a whole was only 1% fewer complaints than the previous year. The percentage of complaints responded to on time suffered, dropping by 16 percentage points, from 74% in 2019-20 to 58% in 2020-21. There were three main factors influencing this. First, the emergency redeployment of staff across a number of services to support corporate priorities arising as a result of COVID, which meant reduced capacity for dealing with complaints. Second, the Council introduced the new complaints management which went live on 1 June 2020. Given the lockdown, and its associated disruption, this meant that plans to roll training out across the Council could not be deployed as planned. There was therefore a steeper than anticipated learning curve on a corporate level for this software. Third, there were significant staff absences within the Complaints team itself which led to reduced capacity to process complaints for response by services, monitor their deadlines and chase responses.

3.1.2 The Neighbourhoods Service has seen an overall increase in complaints received of 12%, 1249 Stage one complaints in total, from 1092 the previous year. Initially complaints to the Neighbourhood Service reduced markedly as lockdown meant residents spent more time indoors and did not use roads or services. As time progressed and lockdowns were relaxed, complaints

¹ See section 6.2.6 for an explanation as to why this differs from the Ombudsman's recording of this metric.

regarding issues such as the standard of roads increased in line with the level of lockdown relaxation. It was also noted that Biffa complaints increased substantially as a result of a number of factors; as more people stayed at home, they generated more waste at home and this led to some issues, such as bin trucks filling up and crews needing to temporarily abort collections whilst they emptied. Bin crews were also disproportionately affected by COVID isolation rules and this too affected collection reliability. This combination of factors took Biffa's complaints from 47 in Q1 to 203 in Q2. Biffa's responsiveness has however improved markedly, from a rate of 42% in Q1 to 76% in Q4 and with the excellent working relationship between Biffa and the Complaints Team, we anticipate that this rate will continue to improve.

- 3.1.3 The Corporate Core saw a reduction of 16% in its annual complaints, from 623 to 524 the previous year. Again, in the first quarter, the number of complaints dropped quite markedly, but with the introduction of COVID grants for businesses, managed by the Revenues Service, there was a significant number of complaints from businesses deemed to be ineligible for grants. These rose from 18 in Quarter 1 to 121 in Q4. Similarly, Parking complaints increased as the city reopened, from 17 complaints in Q1 to 81 in Q4.
- 3.1.4 It should be noted that corporate complaints relating to Children and Adults are different to social care, and are focussed around a small number of services, e.g., School Admissions, Special Educational Needs provision, Homelessness or Adults Finance.
- 3.1.5 The Directorate for Adults saw a drop of 55% in its corporate complaints, from 166 to 75. The decrease in Adults corporate complaints could be attributed to the global pandemic, the successful "Everyone In" Homelessness project alleviating street homelessness and also the pause in evictions may have reduced homelessness complaints. There was a general tolerance from citizens that the services had to adapt to keep citizens safe and customer facing services were reduced.
- 3.1.6 Children's Services by contrast saw a drop of 21% in complaints, from 203 to 160. It is not as straightforward to identify why there was a decrease in Children's corporate complaints although it could also be attributed to the pandemic, in that there was a change in how support was delivered to children with EHC Plans. Although there would have been concerns raised, these were dealt with through the schools, rather than as a complaint to the local authority. Also, expectation around responses from services changed as people generally accepted there would be some delay caused by new working arrangements.
- 3.1.7 Strategic Development saw the greatest increase, albeit from a low base, almost doubling, from 56 in 2019-20 to 95 in 2020-21. There has been a larger number of complaints relating to Strategic Housing, 23 in 2020-21 compared with 12 in 2019-20 and although most of these could be directed to the correct Housing Association, some did require input from the Strategic Housing Team.

3.1.8 The Council as a whole is 27% from achieving its target for responding to complaints on time (85% within 10 working days), with a fall in performance of 16 percentage points on the previous year, from 74% to 58%. The most significant factor in this fall in performance is the 13% reduction in cases handled on time by the Neighbourhoods Service and the 16% reduction in cases handled on time by the Corporate Core. The main factors are outlined above i.e. COVID-19 and the introduction of the new complaints management system. The impact of these factors on timeliness has reduced more recently. Whilst complaint numbers remain high, with ongoing difficulties with Business Rates grants and bin collections particularly frequent sources of complaint, the percentages responded to on time in the final quarters of this year were markedly improved. Subsequent data from 2021-22 shows a continuing improvement with provisional response rates in the 70-75% range.

3.2 **Complaints escalated to Stage two. Expected standard - 15% of corporate Stage one complaints escalated to Stage two**

3.2.1 Complaints escalated to Stage two are managed by the Council's centralised Complaints Team (based in Performance Research and Intelligence - PRI). This provides an independent review of how the complaint has been dealt with at Stage one and provides the final opportunity to investigate before the complainant is referred to the Local Government and Social Care Ombudsman.

3.2.2 The Council as a whole has seen a 2% decrease in the proportion of complaints escalated to the final stage of the complaints process, from 16% in 2019-20 to 14% in 2020-21, meeting the target of 15%. This reflects that most complainants are satisfied with the investigation undertaken at Stage one.

3.2.3 In reviewing each Directorate's performance, Neighbourhoods have maintained their performance from 2019-20 at 13%. Adults have seen a marked increase, from 5% to 21%, whilst Children's Services have seen a small increase of 3% (6% in 2019-20 to 9% in 2020-21), but remaining well within target. The Core has had a higher percentage of cases escalated to Stage two in previous years but have also achieved more significant reductions in the percentage of cases escalated, falling by 11%, from 27% to 16%. Growth and Development saw their cases escalated to Stage two fall by 1% (from 25% to 24%).

3.3 **Responding to stage two complaints. Expected standard - 80% of corporate Stage two complaints responded to within ten working days**

3.3.1 The total number of Stage two cases received has decreased markedly from the previous year from 344 to 292, in large part due to the overall reduction in complaints seen in the first quarter of 2021. The largest distributions were in the Corporate Core (82) and Neighbourhoods (157). The Core saw a significant reduction on the previous year's complaints, with 88 fewer Stage two complaints, but this again appears to be a return to more normal

complaint volumes; the Core receiving 73 Stage two complaints in 2018-19.

- 3.3.2 By virtue of having the largest volume of service touchpoints with residents, the Neighbourhoods Service have usually had the majority of Stage one and two complaints. This proportion has grown substantially in this period, from 38% (131) of all Stage two complaints in 2019-20 to 54% (157) in 2020-21. This is however in approximate alignment with the proportion of Stage one complaints received, i.e., 59% of all corporate Stage one complaints in 2020-21 were for the Neighbourhoods Service. Growth and Development has seen a modest increase in nine additional Stage two complaints this year, albeit from a low base, whereas Children Services have seen a single additional Stage two corporate complaint and Adults have seen no change in the number of Stage two corporate complaints. The Corporate Core has seen a substantial fall in the number of Stage two complaints, more than halving over the course of the year, from 170 to 82. In part, this reduction is due to a substantial fall in Stage two complaints against Parking Services, from 49 to 22 and a drop in Council Tax complaints from 37 to 17.
- 3.3.3 The Council as a whole has seen a 43% fall in the percentage of Stage two complaints responded to within ten working days. There are a number of contributing factors contributing to this, some already explained at some length previously in this report, i.e., the new complaints management system and the difficulty conducting investigations when officers are managing new and different pressures as a result of COVID19 and who therefore have less capacity to respond to requests for information.
- 3.3.4 Additionally, there were some staffing absences within the Complaints Team, which not only impacted the processing of complaints (i.e., allocation to services for response) but also meant reduced capacity to monitor deadlines, chase services for responses, deal with incoming queries on the complaints and then most importantly, challenge services to ensure the Stage two response was fit for purpose; this ultimately meant a number of Stage two cases missed the deadline. Whilst overall capacity in the Team has had to be reduced as part of budget cuts and a service re-design, it is anticipated that next year's performance will show considerable improvement as the workflow management of Infreemation assists the Complaints Team with the tasks detailed above.
- 3.3.5 The Complaints Team will continue to proactively monitor internal deadlines and to pursue services for their responses to investigation questions. Where complaints cannot be responded to within ten working days, the Complaints Team will notify the complainant to advise of the delay and offer a revised date when they should expect a full response. There will also be continued use of escalation procedures within services to prevent delays in meeting the response deadline, where the expectation is that senior managers (i.e. Head of Service or Strategic Directors) will become involved in progressing matters where there are delays.
- 3.4 **Stage one and two complaints upheld. Expected standard - 40% of corporate Stage one and two complaints upheld**

- 3.4.1 The Council has seen a modest decrease in the percentage of complaints upheld from 2019-20 to 2021-21, with a 9% decrease (37% down to 28%, against a target of 40%); however, the Complaints Team has emphasised that whilst it is important to be robust where the Council is not at fault, it is more important that investigations are thorough and non-defensive. This stance leads to a higher calibre of complaint response but also leads to an increase in the percentage of complaints being upheld.
- 3.4.2 The Neighbourhood Service have the highest number of cases upheld by a significant factor at 488 upheld or partially upheld cases (35%), against the 1411 cases received. This is explained in part due to the nature of the service the Neighbourhood Service offers and the complaints received; specifically around failed bin collections, where there is limited scope for investigation and where it is often more expedient to accept that a failed collection is the result of crew error rather than residents failing to present the bin. The Neighbourhood Service have however seen a 7% decrease in the proportion of complaints upheld from the previous year.
- 3.4.3 Corporate Core has seen both a decrease in its complaint decisions and its percentage of upheld complaints, from 623 to 608. As noted above, this is, in part, due to the reduction in people travelling into the city and incurring parking penalties.
- 3.4.4 Adults have significantly improved their performance with a 12% reduction in the percentage of corporate decisions upheld, from 41% to 29%. This also reflects the reduction in corporate complaints at both Stage one and two from 147 to 91.
- 3.4.5 Children Services have also seen significantly improved their performance with an 11% reduction in the percentage of corporate decisions upheld, again with a drop in corporate complaints at Stages one and two from 207 to 176. Every Directorate achieved target against this metric.

4.0 Performance Management of Councillor and MP enquiries

4.1 Responding to Councillor and MP enquiries. Expected standard - 85% of enquiries responded to within ten working days

- 4.1.1 The Council's performance against this metric is largely consistent with the previous year, with a fall of 3% responded to on time, but with a 6% increase in enquiries received. This does compare favourably to previous years' performance in 2018-19 of 83% and 76% in 2017-18. Whilst the overall number of enquiries received is only slightly different, these have been assigned very differently to services which again reflects the significant changes COVID has brought to our lives and the new types of problems that residents sought assistance for. Adults have seen 228 fewer enquiries but have responded to 9% fewer on time. Children's Services have seen 88 fewer enquiries, whilst the Corporate Core has seen a 73% increase on the previous year but responded to 2% more enquiries on time.

5.0 Performance Management of Social Care Complaints

5.1 **Responding to Social Care complaints. Expected standard - 80% of social care complaints handled within timescale**

- 5.1.1 Although legislation sets timescales for Children's Social care complaints (Stage one, maximum of 20 working days, Stage two, maximum of 65 working days and Stage three Review Panel, must be organised within 30 working days), Adult social care legislation does not, but states timescales must be negotiated with the complainant. That said, the Council aims to complete Adults complaint responses within 20 working days, in line with the process for Children's Services social care complaints.
- 5.1.2 Children's Services have seen a 11% decrease in their performance on this metric, taking them to within 21% of target (at 59%). This has been exacerbated by a 23% increase in social care complaints received. The decrease in performance will have been impacted by the change in working arrangements due to the pandemic, both within the service and the Complaints Team.
- 5.1.3 Adults by contrast have seen a significant increase in social care complaints received, with nearly six times as many recorded as in the previous year, and with a 24% fall in complaints responded to on time. There are a number of factors that will have driven up the number of social care complaints. Services have had to drastically change how they worked, and often face to face meetings or assessments could not be facilitated due to COVID which caused some anxiety. The focus was on the safety of the citizens. Many services were reduced. There were also difficulties in accessing commissioned services such as home care and residential/ respite care due to them not taking on additional clients. Natural support also broke down when the Government advised people to shield, with many people who were supporting family members no longer able to do so. This led to citizens needing reassessments and seeking support from social services, which put an increased demand on the service. We did not see the flow in Adult Social Care complaints reducing during the financial year, either, 19 (Q1), 81 (Q2), 58 (Q3) and 98 (Q4), so there was little evidence of residents/ staff being able to adapt to the changes brought by the pandemic in this financial year. However, preliminary figures for Q1 and 2 of this year (2021-22) show numbers of 68 and 44 respectively being received, so this may reflect some return to normal following the pressures of dealing with the pandemic.

5.2 **Social Care complaints upheld. Expected standard - 40% of social care decisions upheld**

- 5.2.1 The Council saw a noted improvement in the percentage of social care decisions upheld, seeing a fall from 30% to 20%, more than achieving target.

6.0 Performance Management of Local Government and Social Care Ombudsman (LGSCO) Enquiries

6.1 Responding to Local Government and Social Care Ombudsman enquiries. Expected standard - Local Government and Social Care Ombudsman enquiries responded to within 28 days

6.1.1 The Council received 37 enquiries from the LGSCO this year, a marked increase from the 20 cases recorded in previous year, but more in line with previous years. The Council's performance with regard to timely responses appears to show that performance has decreased at 21 days instead of 26 in the previous year, and remains well within target of 28 days. There were pressures in the final quarter of the year for both Adults and Children's Services, due to a series of complex cases that required more detailed input and working with partner organisations to provide a comprehensive response to the Ombudsman's enquiries, however, for the year as a whole, all services hit the 28-day target.

6.2 Local Government and Social Care Ombudsman decisions. Expected standard - 30% of Local Government and Social Care Ombudsman decisions upheld

6.2.1 It should be noted that whilst the Council received 37 enquiries, it received 73 decisions; in some cases, the Ombudsman has sufficient information from casefiles or from complainant submissions to make a decision on the case. The percentage of cases upheld fell by 4% across the year with 22 fewer decisions received this year. This fall is due to the Ombudsman not investigating cases, nor accepting new complaints, between March and June 2020 in order not to burden Councils in their efforts to support their residents and enact COVID measures. This did not preclude the Ombudsman issuing final decisions on cases that it had already investigated or where no investigation was deemed necessary. The only service to see an increase in the percentage of upheld complaints was the Core and this was due to one Business Rates case and one Parking case. The Council has more than met target on this metric, with every service meeting target.

6.2.2 It should be noted that the Ombudsman still records a complaint as upheld even where the Council has already acknowledged the fault and upheld it through our own complaint procedures.

6.2.3 In response to previous year's challenging performance on this metric, previous annual reports have highlighted a number of improvement areas to focus on, including more consistent application of remedies (including financial redress, and being more open with apologies), challenging the Ombudsman's findings where appropriate and development of robust learning action plans to prevent reoccurrence of faults.

6.2.4 This approach continues to work well, with the LGO finding that our Council had already provided adequate remedies in 29% of cases that the LGO subsequently upheld. Although low, it compares very favourably to an average of 11% in similar authorities.

6.2.5 Whilst the Council must accept that complaints may still be pursued with the Ombudsman despite our best efforts, it is anticipated that consistent application of the Council's complaints remedy policy will continue to assist in reducing the number of cases where the Ombudsman upholds complaints, or adds to the remedies the Council has already proposed.

6.2.6 The Ombudsman has more recently focussed its attention away from measuring timescales of response towards the remedying complaints, and the Council's compliance with its recommendations, and reflects this with an interactive map available on their website, showing comparisons with other authorities. In this, Manchester is shown to have the following performance highlights, which are an encouraging indicator of performance when compared with similar authorities:

- 64%² of complaints investigated were upheld, compared with an average of 72% in similar authorities
- in 100% of cases, they were satisfied the Council had successfully implemented their recommendations, compared with an average of 100% in similar authorities
- in 29% of upheld cases they found the Council has provided a satisfactory remedy before the complaint reached the Ombudsman, compared with an average of 11% in similar authorities

6.2.7 The interactive map can be found at:

<https://www.lgo.org.uk/your-councils-performance/manchester-citycouncil/statistics>

7.0 Praise

7.1 There were 383 instances of praise recorded this year:

Directorate	Instances of praise
Adults Services	100
Children's and Education Services	205
Corporate Core	23
Growth and Development	8
Neighbourhoods	47
Total	383

8.0 Freedom of Information and GDPR requests

8.1 **Responding to GDPR requests. Expected standard - 90% of GDPR requests responded to within one month**

² Note: this percentage does not match the Council's metric (14% of Ombudsman enquiries upheld) due to different methods of recording. The Council records complaints where the Ombudsman does not investigate as 'not upheld', whereas they record these separately.

8.1.1 The Council has received a significantly larger number of DPA requests in 2020-21 from the previous financial year, however the percentage of cases responded to within deadline has increased from 60% to 80%, just below target. The 90% target has been met on this metric by Neighbourhoods and Growth and Development, and is markedly improved in the Core, with a doubling of responses sent on time. Children and Families, although still some way from target, also saw a 30% increase in responses sent on time, despite a 45% increase in requests received. Performance was hindered as a result of the COVID19 lockdowns, due to the need to focus capacity on the delivery of business critical activity related to safeguarding, as well as delays in accessing paper files from archive during periods of lockdown.

8.2 **Responding to FOIA requests. Expected standard – 90% of Freedom of Information Act requests responded to within 20 working days**

8.2.1 There has been a 40% increase in FOIA requests received, which has contributed to a 31% increase in the number responded to on time. No service met the target of 90% however all services saw substantial improvements in their performance. The Council as a whole is 12% from target.

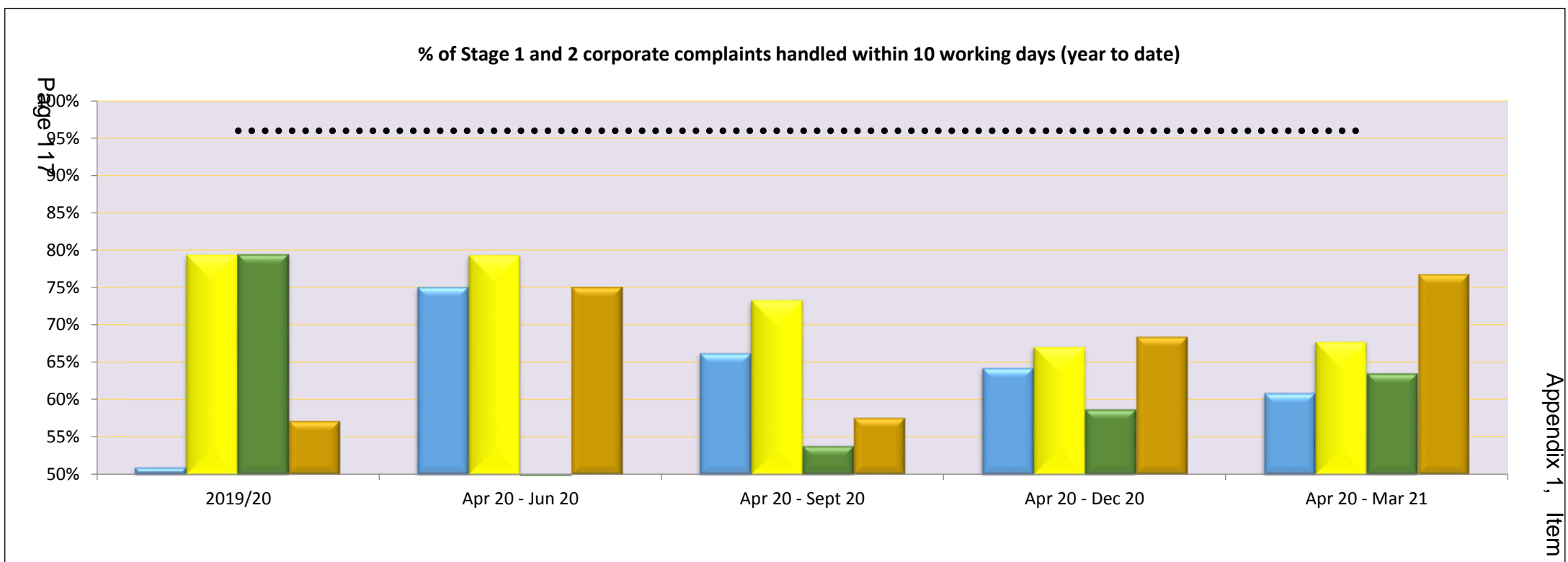
9.0 Recommendations

9.1 Audit Committee are asked to note the Council's performance in managing complaints and enquiries in 2020-21, and are asked to note the key messages that are emerging in relation to the management of information requests

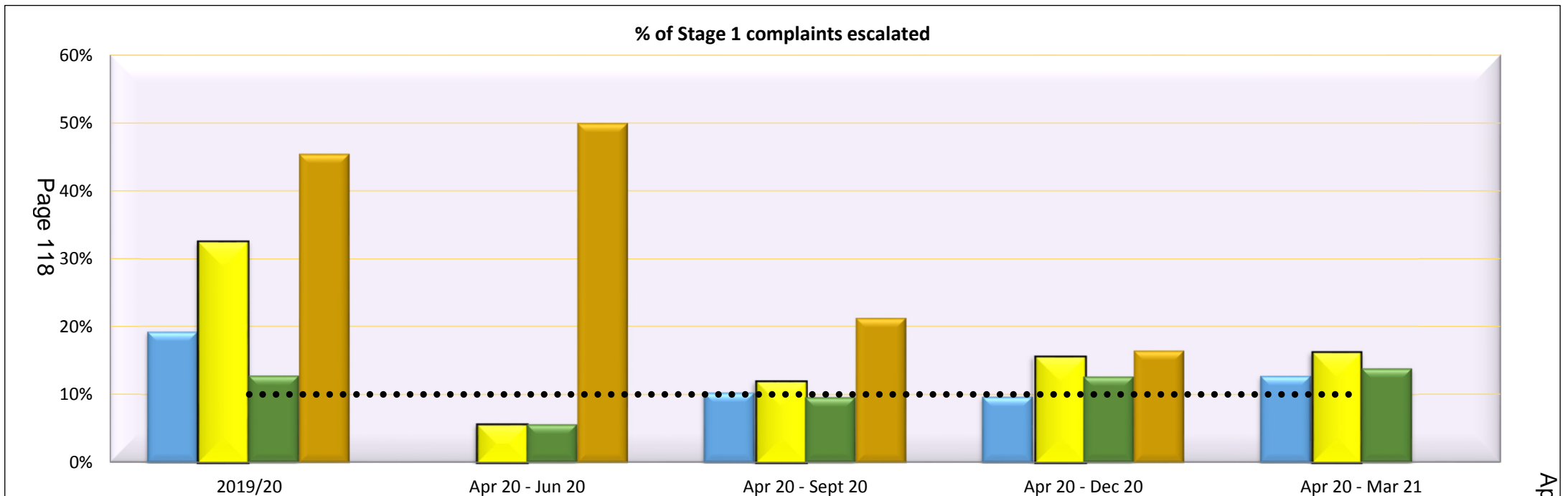
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Appendix 1 - Complaints and Information Request Dashboard 2020-21

Number of Stage 1 corporate complaints and % handled within 10 working days											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Adults Services	166	42%	85%	15	53%	21	67%	16	56%	23	83%	75	67%
Childrens Services	203	59%		16	50%	29	66%	64	45%	51	53%	160	52%
Corporate Core	623	79%		70	67%	98	63%	153	52%	203	70%	524	63%
Neighbourhoods	1,092	79%		160	34%	403	48%	297	60%	389	72%	1,249	56%
Growth & Development	56	57%		8	75%	20	30%	25	44%	42	60%	95	51%
All Directorates	2,140	74%		269	46%	571	51%	555	55%	708	69%	2,103	58%

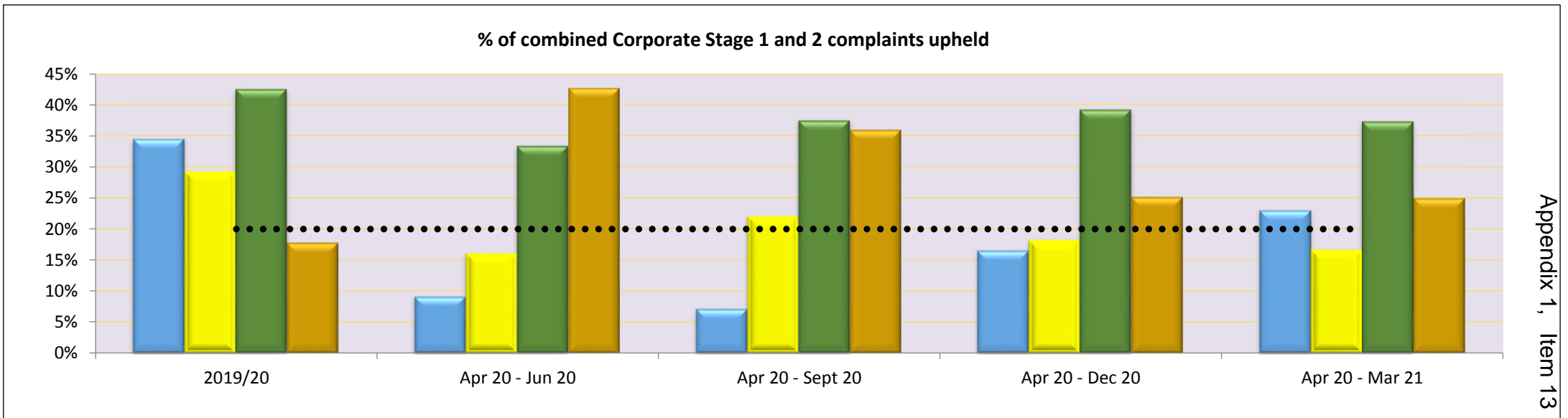


Number of Corporate Stage 1 complaints % escalated											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Adults Services	166	5%	15%	15	13%	21	14%	16	38%	23	21.7%	75	21%
Childrens Services	203	6%		16	6%	29	14%	64	5%	51	11.8%	160	9%
Corporate Core	623	27%		70	9%	98	22%	153	14%	203	16.3%	524	16%
Neighbourhoods	1092	12%		160	9%	403	8%	297	19%	389	13.4%	1,249	13%
Growth & Development	56	25%		8	63%	20	30%	25	20%	42	16.7%	95	24%
All Directorates	2140	16%		269	11%	571	12%	555	16%	708	14.5%	2,103	14%

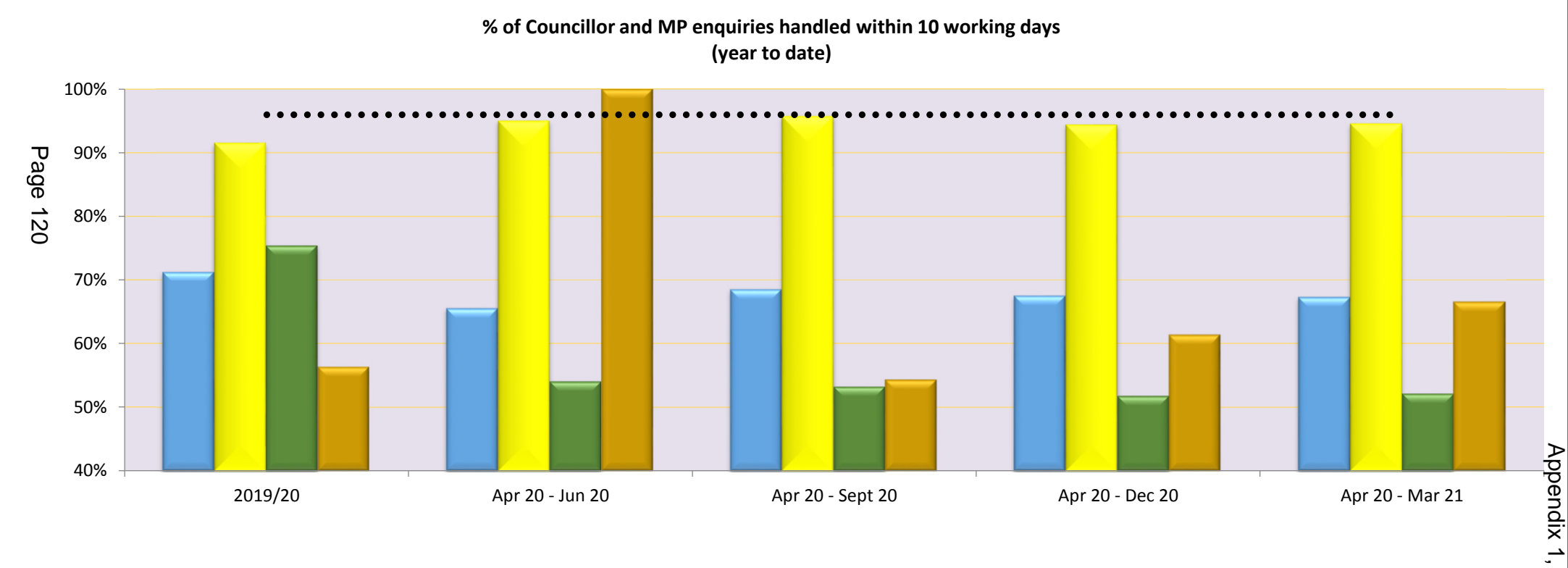


Number of stage 2 corporate complaint responses and % handled within 10 working days											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Adults Services	16	75%	80%	2	0%	3	33%	6	17%	5	80%	16	38%
Childrens Services	13	31%		1	0%	4	25%	3	0%	6	17%	14	14%
Corporate Core	170	69%		6	17%	22	23%	21	24%	33	42%	82	30%
Neighbourhoods	131	73%		15	27%	34	15%	56	23%	52	25%	157	22%
Growth & Development	14	43%		5	20%	6	17%	5	40%	7	57%	23	35%
All Directorates	344	69%		29	21%	69	19%	91	23%	103	35%	292	26%

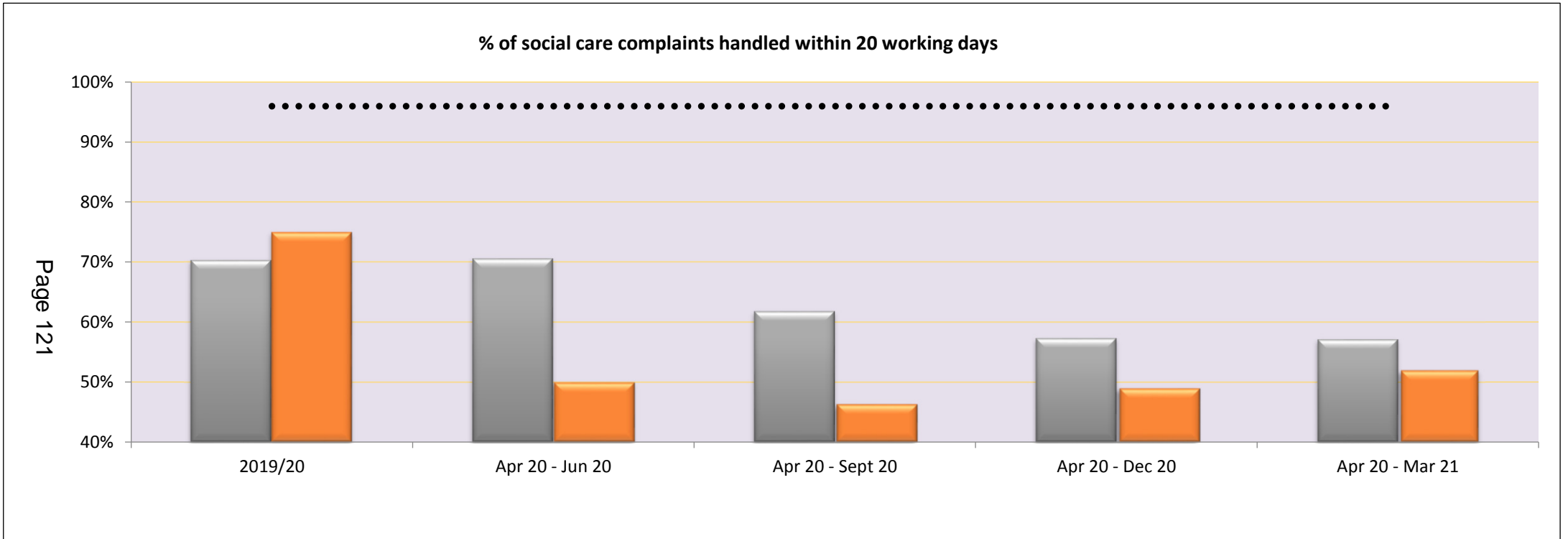
Number of Corporate Stage 1 and 2 decisions and % upheld											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Adults Services	147	41%	40%	17	12%	24	29%	22	50%	28	21%	91	29%
Childrens Services	207	30%		17	18%	34	6%	68	16%	57	30%	176	19%
Corporate Core	623	29%		76	21%	121	20%	175	14%	236	18%	608	17%
Neighbourhoods	1092	42%		175	34%	437	34%	354	36%	445	35%	1411	35%
Growth & Development	56	18%		13	15%	26	12%	30	13%	49	14%	118	14%
All Directorates	2140	37%		298	28%	642	29%	649	27%	815	28%	2404	28%



Number of Councillor and MP enquiries and % handled within 10 working days											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Adults Services	664	75%	85%	67	52%	134	70%	92	64%	143	70%	436	66%
Childrens Services	360	64%		33	52%	96	70%	79	62%	64	59%	272	63%
Corporate Core	391	92%		150	93%	196	93%	129	92%	205	95%	680	94%
Neighbourhoods	285	75%		66	37%	160	55%	91	53%	105	51%	422	51%
Growth & Development	23	57%		5	60%	7	57%	4	50%	4	50%	20	55%
All Directorates	1,723	76%		321	68%	593	74%	395	71%	521	75%	1,830	73%

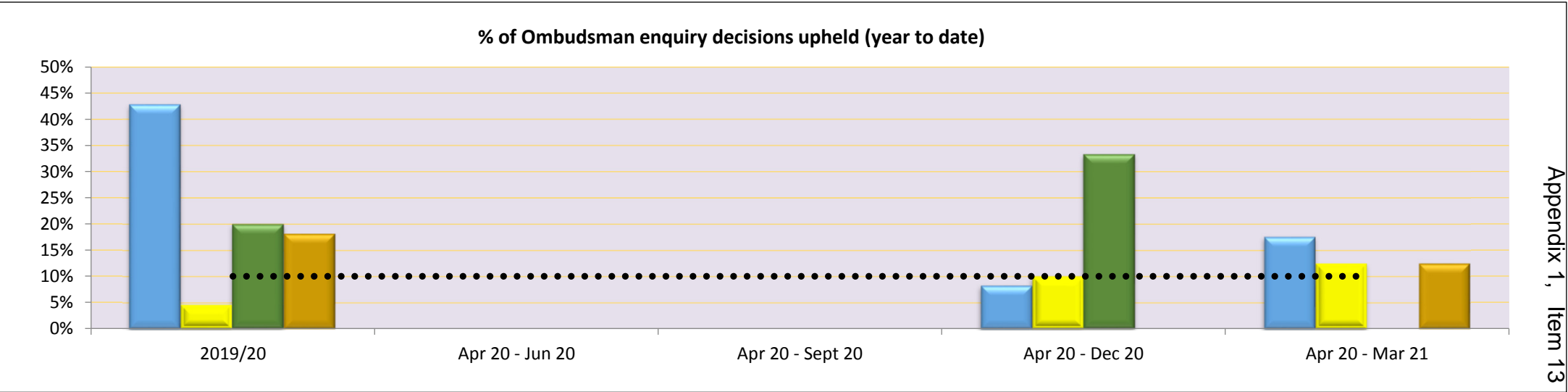


Number of Social Care Complaints and % handled within target											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Children's Services	118	70%	80%	25	79%	41	51%	32	47%	57	65%	155	59%
Adults Services	44	75%		19	52%	81	46%	58	53%	98	53%	256	51%
Total Social Care	162	72%		44	64%	122	48%	90	51%	155	57%	411	54%

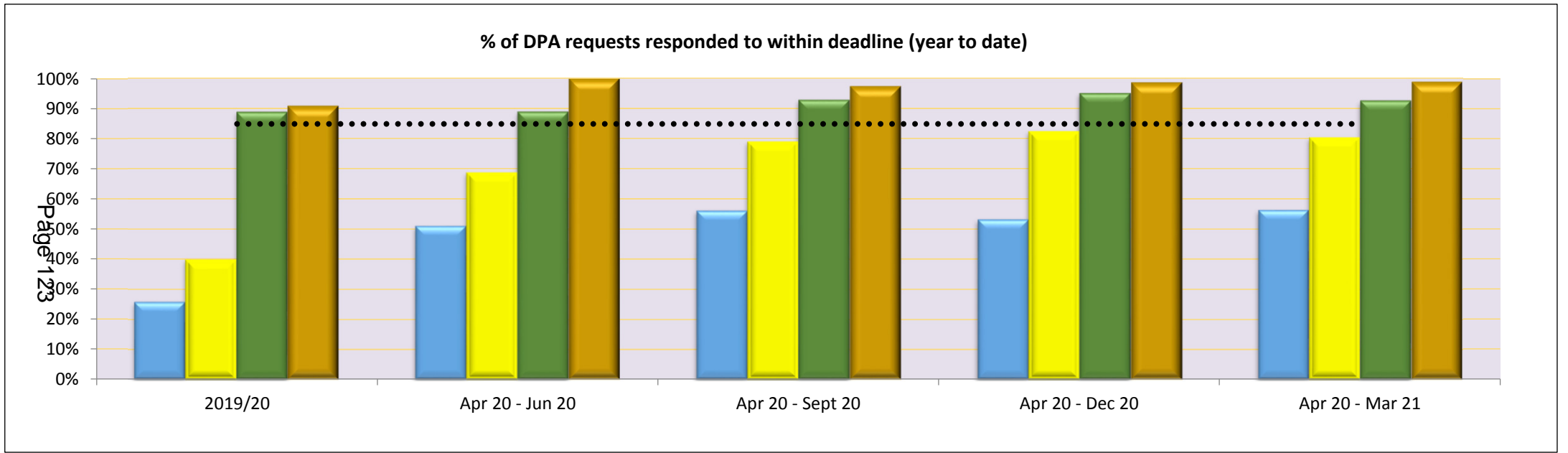


Number and average response times of Ombudsman enquiries (in calendar days)											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	Avg Days		No.	Avg Days	No.	Avg Days	No.	Avg Days	No.	Avg Days	No.	Avg Days
Adults Services	6	50	28	0	0	4	20.25	1	8	5	36	10	27
Childrens Services	5	19		4	10	5	31	0	0	1	70	10	27
Corporate Core	5	16		1	0	3	19	2	27	4	7	10	14
Neighbourhoods	0	0		0	0	2	31	0	0	0	0	3	20
Growth & Development	4	12		2	15	2	4	0	0	0	0	4	9
All Directorates	20	26		7	10	16	23	3	20	11	25.3	37	21

Number of Ombudsman enquiry decisions and % upheld											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Adults Services	12	33%	30%	1	0%	7	29%	2	0%	8	25%	18	22%
Childrens Services	9	56%		4	25%	10	10%	0	0%	2	0%	16	13%
Corporate Core	43	5%		2	0%	7	29%	6	0%	6	0%	21	10%
Neighbourhoods	20	20%		1	0	5	0%	1	0%	0	0	7	0%
Growth & Development	11	18%		2	50%	4	0%	1	0%	4	25%	11	18%
All Directorates	95	18%		10	20%	33	15%	10	0%	20	15%	73	14%



Data Protection Request (DPA/GDPR/Disclosure) Number % responded to by SLA (one month)											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 20 - 30 Jun 20		1 Jul 20 - 30 Sep 20		1 Oct 20 - 31 Dec 20		1 Jan 21 - 31 Mar 21		1 Apr 20 - 31 Mar 21	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Children and Families	210	26%	90%	53	51%	88	59%	68	47%	97	63%	306	56%
Corporate Core	145	40%		16	69%	60	82%	72	86%	71	76%	219	80%
Growth & N'bourhoods	260	89%		36	89%	117	94%	110	98%	142	88%	405	93%
Strategic Development	88	91%		12	100%	27	96%	34	100%	17	100%	90	99%
All Directorates	703	60%		117	70%	292	81%	284	83%	327	79%	1020	80%



Number FOI requests and % within deadline (20 working days)											Year To Date:		
Directorates	1 Apr 19 - 31 Mar 20		Target 20/21	1 Apr 17 - 30 Jun 17		1 Jul 17 - 30 Sep 17		1 Oct 17 - 31 Dec 17		1 Jan 18 - 31 Mar 18		1 Apr 17 - 31 Mar 18	
	No.	%		No.	%	No.	%	No.	%	No.	%	No.	%
Children and Families	566	44%	90%	67	84%	117	79%	113	72%	127	73.20%	424	76%
Corporate Core	868	46%		88	72%	139	81%	150	82%	168	80%	545	79%
Growth & N'bourhoods	605	53%		38	87%	109	90%	60	78%	86	81%	293	85%
Strat Dev	311	43%		21	67%	55	65%	29	66%	52	62%	157	64%
All Directorates	2350	47%		214	78%	420	80%	352	77%	433	76%	1419	78%

