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MANCHESTER
CITY COUNCIL

Audit Committee

Date: Monday, 15 April 2019
Time: 10.00 am
Venue: Council Antechamber, Level 2, Town Hall Extension, Manchester, M60 2LA

Everyone is welcome to attend this committee meeting.

There will be a private meeting for Members only at 9.30am in Committee Room 6 (Room 2006), 2nd Floor of Town Hall Extension. A Town Hall pass is needed to reach this room.

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

Filming and broadcast of the meeting

Meetings of the Audit Committee are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Membership of the Audit Committee

Councillors - Ahmed Ali (Chair), Connolly, Lanchbury, Russell, A Simcock and Watson

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

Agenda

1. **Urgent Business**
To consider any items which the Chair has agreed to have submitted as urgent.

2. **Appeals**
To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.

3. **Interests**
To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. Members with a personal interest should declare that at the start of the item under consideration. If Members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item.

Information about the Committee

The Committee is responsible for approving the Council's statement of accounts; considering the Audit Commission's Annual Audit and Inspection Letter and monitoring the Council's response to individual issues of concern identified in it. The Committee also considers the Council's annual review of the effectiveness of its systems of internal control and assurance over the Council's corporate governance and risk management arrangements, and engages with the external auditor and external inspection agencies to ensure that there are effective relationships between external and internal audit.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to the strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public are asked to leave.

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

Agenda, reports and minutes of all Council Committees can be found on the Council's website www.manchester.gov.uk.

Smoking is not allowed in Council buildings.

Joanne Roney OBE
Chief Executive
Level 3, Town Hall Extension,
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Manchester, M60 2LA

Further Information

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

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This agenda was issued on **Friday, 5 April 2019** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

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Audit Committee

Minutes of the meeting held on 11 March 2019

Present:

Councillor Ahmed Ali - In the Chair
Councillors Lanchbury, A. Simcock and Watson
Mr S Downs (Co-opted member) and Dr D Barker (Co-opted member)

Apologies: Councillors Connolly and Russell

Also in attendance:
Executive Member (Adult Health and Wellbeing)
Assistant Director Adult Services (Complex Needs)
Assistant Director Adult Services (Neighbourhoods and Safeguarding)

AC/19/09   Minutes

The minutes of the Audit Committee held on 11 February 2019 were submitted for approval.

Decision

> To approve the minutes of the meeting held on 11 February 2019 as a correct record.

AC/19/10   Counter Fraud Policies Update

Members considered the report of the Head of Internal Audit and Risk Management which presented updated drafts of the Whistleblowing, Anti-Money Laundering and Anti-Bribery Policies for comment prior to approval. The role of the Audit Committee in seeking to obtain assurance over the Council's corporate governance and risk management arrangements includes an overview of the key policies and procedures in respect of anti-fraud and anti-corruption arrangements.

The Chair invited questions from the Committee.

A member referred to the list of 'possible signs of money laundering' provided in Appendix B of the report and asked officers if this was a definitive list. Reference was also made to the whistleblowing and if council officers were comfortable with the current reporting arrangements.

In response, the Head of Internal Audit and Risk Management noted the point made on the extensive list of signs of money laundering and undertook to amend the policy text to reflect this. With reference to arrangements allowing employees to 'whistleblow', it was reported that staff were comfortable with the current mechanisms and information available to them. Any whistleblow issue would include a risk

assessment and investigation to ensure that a matter had been raised in good faith and was justified.

A member referred to arrangements where a member of staff employed within the Council raised a matter relating to an issue under to control of integrated health services and asked where would the whistleblow be reported to.

It was reported that the employee would make a report to their employer and not the employer of the service relating to the area of concern. The Committee was informed that a process of alignment of policies and processes of the organisations involved would be required.

A member asked if a benchmarking process is used to measure the effectiveness of the whistleblowing policy and the routes used by staff that may indicate a preference to using an internal or external route. Reference was also made to the need to include a link to the external organisation regarding anti-bribery to mirror the links within the money laundering procedures.

It was reported that the Standards Committee receives a benchmarking report on the efficacy of the whistleblowing policy. The benchmarking report had indicated that the Council has a higher number of whistleblowing reports compared to other core cities. The suggestion was made that qualitative research on this could indicate that the council as an organisation has a good 'speak up' culture where staff are aware of information available and feel comfortable to raising matters. Reference would be made to this in the Annual Fraud report to the Audit Committee. The issue of consistency across the policy document would be addressed to include information and contact links to the external organisations.

A member referred to the involvement of the charity 'Protect' and officers were asked the charity could provide the same information awareness arrangement for health organisation staff. In addition, officers were asked what communication arrangements are in place to make staff aware of the whistleblowing process.

It was reported that the suggestion would be taken for discussion with colleagues in the CCG and the MHCC. A review of the whistleblowing helpline would be undertaken after six months to determine the use of the service for staff. The arrangements in place for communicating information to staff were crucial and the 'Forum' staff publication would include reference to whistleblowing and signposting. Managers willl include whistleblowing as an agenda item in staff meetings.

The Committee agreed that it was satisfied with the assurance provided by the Counter Fraud Policy provided within the report it had considered.

Decisions

1. To note and endorse the draft policies in the report submitted, in advance of approval by the Chief Executive.

2. To note the comments received.

AC/19/11   Corporate Risk Register

The Committee considered the report of the City Treasurer and the Head of Internal Audit and Risk Management which presented the Corporate Risk Register to support the Committee risk management assurance role by providing the most recent version of the register.

The Chair invited questions from the Committee.

A member asked for an explanation of the risk process and if the level of risk applied was done prior to or after actions have been taken. Officers were also asked to explained why the Key Directorate Risks included one risk issue relating to Children's Services and three risks non 'frontline' services within Strategic Development. A member referred ID3 on the Register – 'Our People' and asked officers if the reductions in staff resources had resulted in the risk to the Council. Concern was also expressed regarding the reference to ICT within a number of the high risk areas, in view that ICT is also a high risk. Officers were also asked to review the reference made in descriptions within the register to acknowledge the importance of the impact on people in front of impacts on resources.

It was reported that a risk level is applied after the actions were taken and mitigations had been applied. With reference to the Key Directorate Risks, the comment was noted and it was reported that there are two medium risks currently in place relating to Children's Services (Liquidlogic and Safeguarding). The Committee was informed that 'Our People' is an issue shared across directorates as a capability risk with work required to align staff to skills and roles. ICT resilience would be improved once the twin data centres are running and the risk level would be reduced accordingly. Additional staff resources had been directed at IT security to help reduce risk and the appointment of a head of ICT would help to reduce further concerns. Liquidlogic and safeguarding continue to be a high corporate priority and would remain so.

The Committee agreed that it was satisfied with the assurance provided by the Corporate Risk Register and the actions highlighted from the comments made on the report it had considered.

Decision

> To note the report submitted and the comments made.

AC/19/12   Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The report of the City Treasurer was considered which presented an explanation of the accounting concepts and policies, critical accounting judgements and key sources of estimation that will be used in preparing the 2018/19 annual accounts.

Decision

> To approve the accounting concepts and policies that will be used in

completing the 2018/19 annual accounts and note the critical accounting judgements made and key sources of estimation uncertainty.

AC/19/13   Update on Actions taken in progressing internal audit recommendations in respect of Transition (to Adulthood) and Homecare Contracts

The Committee considered the report of the Director of Adult Services which presented the current position in respect of two audits where original, agreed actions were overdue: Transitions (Childrens to Adults) and Homecare Contract Monitoring.

The Executive Member (Adults Health and Wellbeing) attended the meeting accompanied by the Assistant Director (Adult Services – Complex Needs) and the Assistant Director (Adult Services – Neighbourhoods and Safeguarding), and addressed the Committee on Transitions and Homecare Contract.

The Committee was informed that a Transitions Board had been appointed and a meeting had been scheduled to take the issues forward and bring together the consultation outcomes as well as agreeing a structure for governance.

The Chair invited questions from the Committee.

A member referred to arrangements relating to transitions and asked officers if the deadline set for November 2019, for the completion of the transitions strategy, would be achieved. Officers were also asked if there is flexibility in the transition process to allow the Transitions Team to pick up those young people approaching their eighteenth birthday with no previous contact with the service and required help.

It was reported that a timeline for completion of deadlines will be built into the work of the Transition Board and will be raised at the next meeting. The Committee was informed that officers would also work with Internal Audit to set robust deadlines in order to provide the Committee with the level of assurance required. The issue of flexibility to allow the management of situations that may arise will be included as part of the development of pathways open to young people and how they can engage with services.

A member referred to the Homecare Contract, paragraph 3.7 of the report, and asked officers to confirm whether the service user panel included representation from the Age Friendly Board to reflect the users of the Homecare Service. In addition, had a social value element been a factor to the commissioning and tendering process.

The Committee was assured that there had been an extensive range on engagement within the tender process and evaluation and this had included an age friendly involvement. The inclusion of a Social Value component was built into the commissioning and tendering process and had been set at 30% which is above the usual 20% value used in the Councils' process.

The Committee agreed that it was satisfied with the assurance provided by the responses provided and the actions highlighted in the report it had considered.

Decisions

> To note the report submitted and responses received in addressing risks
> noted in the Transitions (Children's to Adults) and Homecare Contracts
> Internal audit reports.

**AC/19/14   Work Programme and Audit Committee Recommendations
               Monitor**

The report of the Governance and Scrutiny Support Unit which contained responses
to previous recommendations was submitted for comment. Members were also
invited to agree the Committee's future work programme.

Decision

> To note that the Work Programme and Recommendations Monitor will be
> updated for the next meeting of the Audit Committee.

AC/19/15   Exclusion of the Public

The Committee considered a report of the City Treasurer. The Committee
considered that the following item contained confidential information as provided for
in the Local Government Access to Information Act 1972 and that the public interest
in maintaining the exemption outweighed the public interest in disclosing the
information.

Decision

To exclude the public for the remainder of the meeting.

AC/19/16   Risk Based Verification

Members considered the report the City Treasurer proposing changes to the
verification of Housing Benefit and Council Tax claims.

Decisions

1. To agree that the Council cease to use Risk Based Verification in the
   administration of Housing Benefit and Council Tax Support from 1 April
   2019.

2. To agree that the Council revert use verification standards, not aligned to
   Risk Based Verification, which meet Department of Work and Pensions
   requirements for Housing Benefit cases and associated Council Tax
   Support Cases.

3. To agree that for other than Council Tax Support claims, the Council should, where appropriate, apply a lighter touch approach to verification while taking judicious steps to prevent fraud and error that reduce the risk of excessive remission of Council Tax charges.

4. To agree that the Council cancel the contract with the external supplier that supports Risk Based Verification at a saving of £14000 per annum.

Manchester City Council
Report for Resolution

Report to: Audit Committee – 15 April 2019

Subject: Draft Annual Governance Statement 2018/19

Report of: Deputy Chief Executive and City Treasurer

Summary

This report contains the draft 2018/19 Annual Governance Statement (AGS) which has been produced following completion of the annual review of the Council's governance arrangements and systems of internal control. The processes followed to produce the AGS are outlined in the report. Related activity to promote better understanding and transparency in relation to governance arrangements, both within the Council and for the public is also described.

Recommendations

1. to note and comment on the contents of the draft version of the Council's 2018/19 Annual Governance Statement (AGS).

2. to delegate authority to the Chief Executive in consultation with the Committee Members, to approve revisions to the AGS reflecting further progress against governance challenges made during the remainder of the 2018/19 financial year.

Wards Affected: All

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1.   Introduction

1.1   Local authorities have a legal responsibility to conduct, at least annually, a review of the effectiveness of their governance framework including their system of internal control. Following the review an Annual Governance Statement (AGS) must be produced, approved and published.

1.2   Audit Committee are asked to note the findings of the 2018/19 AGS and the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2019/20.

1.3   The draft 2018/19 AGS is attached as an appendix to this report.

2.   Format and sections of the document

2.1   The content and style of the AGS is reviewed each year to ensure that it remains compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines, and that improvements are made where possible. There is a focus in the document on effective public communication, plain and clear language, partnership working, and ensuring transparency and clarity over what the Council's governance challenges are, alongside what is being done to address them.

2.2   In 2016, the Council fully reviewed and updated its Code of Corporate Governance (the Code) to reflect the seven new principles detailed in CIPFA's *"Delivering Good Governance in Local Government: Framework (2016)"*. Alongside the CIPFA principles, the vision and values of the organisation – the Our Manchester principles - are at the heart of the Council's approach to governance. Our Manchester was therefore also integral to the way the standards in the Code were defined when it was reviewed. The Code was subsequently updated again in 2018, to ensure that the contents remained accurate, up to date, and that they reflected all applicable relevant legislation. CIPFA has highlighted the Council's Code as an example of good practice.

2.3   A key element of compiling the AGS is an assessment of the extent to which the Council has adhered to the governance standards set out in its Code, and providing a robust evidence base for this, set out in a clear way. This can be seen in Section 4, The Governance Framework.

2.4   The AGS includes the following sections:

        1 – Introduction This section provides a clear, plain language explanation for the lay reader as to what the purpose of the document is. The reader is also signposted to the Council's Annual Report as a companion document to the AGS, where the reader can access information about the Council's expenditure, policies and performance.

        2 and 3 - The scope of responsibility and **the purpose of the governance framework;** these sections outline the legal requirements for an AGS and its links to the Council's Code of Corporate Governance.

4 – The Governance Framework; this describes how the Council has complied with the principles in its Code of Corporate Governance, and includes links to online documents where the reader can access more detailed information.

5 – Annual review of effectiveness of the governance framework; this section explains the mechanisms by which the Council assesses its governance arrangements, and what conclusions have been drawn.

6 – Progress in addressing the Council's governance challenges; This section explains progress made in addressing challenges identified in last year's AGS.

7 – Action Plan: Governance Challenges for 2019/20 Onwards; this section sets out the key areas which the Council will focus on in 2019/20, to address challenges identified and changing circumstances.

3. **Process followed to produce the AGS 2018/19**

3.1 A progress report was provided to Audit Committee in November 2018, updating members on the implementation of actions to improve governance arrangements identified in the action plan at the end of last year's AGS. Progress since November in delivering these actions is described in section six of the new AGS.

3.2 Subsequently, to identify significant governance issues to be addressed during 2019/20 a number of evidence sources were considered including;

- Analysis of responses from Heads of Services to the online annual governance questionnaires which provide a self-assessment of compliance with the Code of Corporate Governance.
- Significant governance challenges in Partnerships as identified by the Council's Register of Significant Partnerships assessment process.
- A meeting of key Senior Officers with responsibility for Governance, to identify and discuss emerging governance issues
- Consideration of risks identified in the Corporate Risk Register
- Emergent challenges identified by the work of Internal Audit during 2018/19
- Where appropriate carrying forward elements of action points from 2018/19 if further work and monitoring is required.

3.3 These processes, described in more detail in section 5 of the AGS itself, led to the identified governance challenges described in section seven. This sets out an action plan, which looks ahead to the main challenges where the Council will need to focus attention in 2019/20.

4. **Communication of Governance Arrangements**

4.1 The Council is committed to improving the transparency of its governance arrangements, and ensuring it publishes clear and concise explanations of

these arrangements in a format easily accessible to the public. A number of separate steps have been taken to achieve this, which are outlined below.

4.2 **The Council's Governance Commitments –** In support of this and to implement the decision of the Audit Committee in March 2013, officers in Performance and Intelligence attended Manchester's Youth Council to describe and discuss the Council's governance arrangements. This meeting led to the establishment of 10 governance commitments, which summarise the commitments in the Code of Corporate Governance, in plain and clear language. These commitments are published on the Council's website.

4.3 **Accessibility of the AGS –** The AGS has been written in such a way as to make it as accessible as possible for the lay reader, for example by focusing on making the governance challenge updates as plain, clear and concise as possible. As well as being included as part of the Council's Annual Accounts, it is also easily accessible separately on the Council's website.

4.4 **The Annual Report –** the Council's Annual Report includes an overview of the AGS. This sets out a summary of the Council's governance standards and challenges in a concise and clear way. The publication of the last report was promoted on the Council's website and via social media, to promote public engagement with the report.

5. Next Steps and AGS Timeline

5.1 The following table shows the key reporting dates for the 2018/19 AGS;

Date	Milestone
15 April 2019	Draft AGS to **Audit Committee**
31 May 201	Draft AGS passed to External Audit as part of the Accounts.
31 July 2019	Final AGS and Accounts circulated to **Audit Committee**
Autumn 2019	Update on delivery of governance improvements for 2019/20 (as set out in AGS Section 7 Action Plan) to **Audit Committee**

5.2 The AGS has been produced early again this year as the deadline for the submission of Accounts for auditing was moved forwards from last year onwards to 31 May. The Accounts and Audit Regulations 2015 brought forward the timetable for the preparation of 2017/18 and subsequent draft Accounts by one month, and the deadline for audit by two months. This means that to comply with the Constitution and submit a draft of the AGS to Audit and Standards Committee before it is finalised in the Accounts, it must be taken to the March and April Committee meetings, rather than June as in years prior to 2017/18. This means that there will be some subsequent revisions to the final AGS from the version provided with these papers, based on further progress made to address governance challenges during the remainder of this financial year.

5.3   Subsequent amendments will require oversight and clearance before the signed AGS is passed to external audit. To address this, Audit Committee are requested to delegate authority to the Chief Executive in consultation with the Committee Members, to clear the revised version as there are no further Committee meetings prior to 31 May. A revised version will be circulated by email for approval.

5.4   Audit Committee is requested to note and comment on the contents of the draft version of the Council's 2018/19 Annual Governance Statement (AGS). Any amendments to the statement requested by Committee will be included in the signed draft version included with the Accounts and passed to External Audit on 31 May 2019.

MANCHESTER
CITY COUNCIL

Annual Governance Statement 2018/19

1.   Introduction

1.1   This statement provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. A summary of significant governance challenges which the Council faces is also given, alongside an explanation of what actions have been taken to bring about required improvements, and what work is still to be done. This provides transparency, and gives assurance that the Council is committed to continuously improve the way in which it functions. More detail on particular topics can be accessed by clicking on the hyperlinks, which are highlighted and underlined throughout the document.

1.2   The Council operates in a complex and constantly evolving financial, policy and legislative environment. The role, responsibilities and funding models of local government continue to be in a period of rapid transition. The city continues to progress the delivery of its ambitious "Our Manchester" strategy, with staff, residents and stakeholders across the city engaged in working towards the realisation of the vision set out in the strategy. In 2018/19 the Council was in the third year of its four year financial settlement from government to 2019/20, and this document summarises how its budget and business plans were kept under continuous review to ensure it could respond to new and emerging challenges and opportunities during this period. The Council's five-year Capital Strategy also forms a critical part of strategic and financial planning, with delivery having commenced in 2017/18. Significant developments at city region level include the launch of the Greater Manchester Spatial Framework – its draft plan for homes, jobs and the environment through until 2037.

1.3   The changes taking place present both opportunities and challenges. Therefore the Council must continue to engage in a broad programme of innovation and reform work so that it can maintain services for residents which are efficient, effective and value for money using available resources. This document explains the governance mechanisms in place to ensure appropriate oversight of this work.

1.4   Whilst this document focuses on governance, the Council's Integrated Annual Report provides an overview of the context in which it operates, how public money has been spent, and what achievements this led to.

2.   Scope of Responsibility

2.1   Manchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

2.2   In discharging these responsibilities, the Council must put in place proper arrangements for the governance of its affairs and effective exercise of its functions, which includes arrangements for the management of risk. The Council first adopted a Code of Corporate Governance in June 2008. This Code is included in the Council's Constitution (part 6 section G). It sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient,

transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose.

2.3   The Code of Corporate Governance and the Council's Constitution are reviewed annually to ensure they remain consistent with the principles of the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives and Senior Managers (CIPFA/SOLACE) joint framework for delivering good governance in local government. CIPFA issued an update to the Framework in 2016, which has informed the preparation of the Annual Governance Statement (AGS) from 2016/17 onwards.

2.4   This AGS explains how the Council has complied with the Code of Corporate Governance. The AGS also meets the requirements of the Accounts and Audit (England) Regulations 2015 regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement (AGS).

3.   The Purpose of the Governance Framework

3.1   The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and through which it is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of the city's strategic objectives as set out in the Our Manchester Strategy, and to consider whether those objectives have led to the delivery of appropriate, cost effective services. The Council's Our Corporate Plan sets out the Council's contribution to the Our Manchester vision. The objectives in Our Manchester and Our Corporate Plan are underpinned by the four Our Manchester principles;

- **Better lives** – it's about people
- **Listening** – we listen, learn and respond
- **Recognising strengths of individuals and communities** – we start from strengths
- **Working together** – we build relationships and create conversations

3.2   The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control identifies and prioritises risks; evaluates the likelihood of those risks being realised and the impact should they be realised; and aims to manage them efficiently, effectively and economically.

4. The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Council operates to a Code of Corporate Governance, which forms part of the Constitution. The Code was updated in 2018 to ensure it reflected the Council's current governance arrangements, and complied with CIFPA's "delivering good governance in Local Government Framework (2016 Edition)". The table below includes examples of how the Council has adhered to its governance commitments set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**

Behaving with Integrity	✓ The Council's **Our Manchester** approach includes four central principles that underpin everything the Council does, including how it works with partners, how it makes decisions and how it serves local communities;
	
	   ○ **Better lives** – it's about people
	   ○ **Listening** – we listen, learn and respond
	   ○ **Recognising strengths of individuals and communities** – we start from strengths
	   ○ **Working together** – we build relationships and create conversations
	
	✓ "Listening in Action" events, attended by The Leader and the Chief Executive, give staff the opportunity to engage with senior leaders. At the events, staff can ask questions and understand more about the future direction of the Council, the Our Manchester Strategy, and what the 'behaviours' are that are expected of all staff.
	
	✓ The Council has a zero tolerance approach towards fraud and corruption and this commitment is set out in the Council's Anti-fraud and Irregularity Strategy.
		People Strategy - Our People
		
		Counter Fraud Strategy

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ The Whistleblowing Policy, which was updated and reviewed by Standards Committee in November 2018, provides protection for individuals who raise any serious concerns they have about suspected illegal or illegitimate practices at the Council, and explains how these will be investigated.	[Whistle Blowing Policy](#)
	✓ The Council ensures that, as part of their induction, new members of staff clearly understand the values of the organisation, and the standards of behaviour which are expected. As part of the Our People strategy, improved induction and 'About You' processes have been introduced. These ensure all staff will understand the part they will play in delivering the vision for the city set out in Our Manchester.	[Our People – People Strategy Update](#)
	✓ A Register of Members' Interests, in which Members' disclosable pecuniary interests, personal interests and prejudicial interests (as defined in the Member Code of Conduct) are registered. Each Member's individual entry can be viewed from their webpage, accessed via the 'Your Councillors' webpage.	[Your Councillors](#) [Annual review of the operation of the Use of Resources Guidance for Members, the Gifts and Hospitality Guidance for Members and the Member / Officer Relations Protocol](#)
	✓ The operation of the updated Member procedures for Gifts and Hospitality, Use of Resources and the Member Officer Relations Protocol was reviewed by Standards Committee in March 2019.	
Demonstrating Strong Commitment to Ethical Values	✓ The Standards Committee champion high standards of ethical governance from elected members and the Council as a whole. A summary of its work is included in its Annual Report to Council.	[Standards Committee](#)

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ The Council has a Code of Conduct for elected and co-opted Members, (Constitution Part 6, section A), as required by the Localism Act 2011. Allegations that the Code has been breached are heard by the Standards Sub Committee. A summary of the outcome of investigations is included in the Standards Committee Annual Report. The operation of the Code of Conduct is reviewed annually by Standards as part of the annual review of the Constitution.	Local Code of Conduct for Members Standards Committee Annual Report
	✓ The Members' Update on Ethical Governance was updated and reviewed by Standards Committee in November 2018.	Members' Update on Ethical Governance
	✓ An Employee Code of Conduct (Constitution Part 6, Section E) which makes it clear what standards are expected from staff across the organisation in the performance of their duties. The Member/Officer Relations Protocol (Constitution Part 6, Section F) governs the relationships between officers and members of the Council.	Employee Code of Conduct, Member/Officer Relations Protocol
	✓ The Council insists its commitment to its values and integrity is shared by external suppliers delivering services on its behalf, as detailed in its Ethical Procurement Policy.	Ethical Procurement Policy
	✓ The Council is reviewing the best practice recommendations from the Local Government Ethical Standards report produced by the Committee on Standards in Public Life, which was published in January 2019. A report was taken to March 2019 Standards Committee.	Review of Local Government Ethical Standards / Committee on Standards in Public Life
	✓ The Council has a Partnership Governance Framework which sets out protocols for partnership working, and the high standards of conduct which are expected from partner organisations. The Framework is currently under review and a revised version will be prepared for the next update of the Register of Significant Partnerships.	Partnership Governance Framework

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Respecting the Rule of Law	✓ The Council's City Solicitor undertakes the role of Monitoring Officer. The Monitoring Officer ensures that Council decisions are taken in a lawful and fair way, correct procedures are followed, and that all applicable laws and regulations are complied with.	
	✓ The Council uses its legal powers, including the 'general power of competence' to promote its values and priorities to the full benefit of the citizens and communities in Manchester.	The General Power of Competence
	✓ The Council has measures to address breaches of its legal and regulatory powers. The Council's Monitoring Officer (the City Solicitor) has statutory reporting duties in respect of unlawful decision making and maladministration.	Council Constitution (article 12.3(b))
	✓ The Council appoints Statutory Officers who have the skills, resources and support necessary to ensure the Council's statutory and regulatory requirements are complied with.	
	✓ The Chief Finance Officer (Deputy Chief Executive and City Treasurer) has statutory reporting duties in respect of unlawful and financially imprudent decision making.	Council Constitution (article 12.4(a))
	✓ The Council ensures that it complies with CIPFA's Statement on the Role of the Chief Finance Officer in Local Government (2016).	CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016)

B. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Ensuring Openness	✓ The Council's website is set out in a clear and easily accessible way, using infographics and plain language. The information which residents use most, such as Council Tax, and Waste and Recycling can be accessed quickly and easily from the main page. ✓ The Council's commitment to Openness is set out in its Constitution (Article 12.3 (e)) and is evidenced by its decisions, along with the reasons for them being made publicly accessible. ✓ All Council and Committee meetings are held in public (other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded), with agenda and reports being produced in paper form and on the Council's website. Live streamed webcasts of Council, Executive and Scrutiny committee meetings are available online, as well as in an archive which can be accessed on-demand. ✓ The Council publishes a Register of Key Decisions to notify the public of the most significant decisions it is due to take. To make the Register accessible and transparent the format discourages the use of 'generic entries' for types of decision, and encourages decisions to be included in full.	manchester.gov.uk website Council Constitution (article 12.3(e)) Council Meeting Agendas and Reports Online Videos of Council Meetings Register of Key Decisions

B. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment to Good Governance	The Council's Commitment to Good Governance	The Council's Commitment to Good Governance
	✓ The Council has an "Open Data" website to meet its commitment to publishing as much non-personal data as possible. This means partners and the public can freely make use of it, supporting transparency and accountability.	Open Data
	✓ The Council has an online residents' survey, which helps it to design services around residents' views and concerns about their local area and their public services.	Our Manchester Residents Survey
	✓ The Council informs, consults and involves residents in significant decisions including service and budget changes. Their views are submitted to those making decisions for consideration. Consultations and surveys this year have included Northern Gateway redevelopment plans, and a City Centre Consultation asking residents, visitors, workers, and shoppers about their experiences and views of the city centre.	Consultations and Surveys
Engaging Comprehensively with Institutional Stakeholders	✓ The Our Manchester Forum supports development of effective relationships across leaders of the city's key private, public and voluntary sector organisations. The Forum benefits the city by driving forward the priorities set out in the Our Manchester Strategy.	Our Manchester Forum
	✓ The Council publishes its Partnership Governance Framework, which standardises the approach to managing partnerships to strengthen accountability, manage risk, and to ensure that a consistent approach is taken to working with partners.	Partnership Governance Framework
	✓ The Council also maintains a list of major partnerships in a Register of Significant Partnerships. This contains an assessment of the strength of the governance arrangements of each partnership, enabling any required improvements to be identified and addressed.	Register of Significant Partnerships

B. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment to Good Governance	The Council's Commitment to Good Governance	The Council's Commitment to Good Governance
	✓ The Council supports different ways for residents to present their individual and community's concerns to elected members, for example via Ward Co-ordination.	

Engaging with Individual Citizens and Service Users Effectively	✓ As part of Our Manchester, the Council focuses on a 'strengths based' approach to residents and communities. This means:
	   o Recognising that it's about people and better lives
	   o We listen, learn and respond
	   o Recognising strengths of individuals and communities – we start from strengths
	   o Working together, we build relationships and create conversations
	
	This approach is used to inform the development of policy and strategy, for example the Family Poverty Strategy.
	
	✓ The Council has developed a Digital Communications Strategy, which outlines the digital tools and approach that can help it to communicate according to its stakeholders' communication preferences. It will provide opportunities to develop new conversations with a broader audience.
	
	✓ An 'Our Manchester' approach was taken for the Budget Conversation, to inform the 2017/20 Budget. This resulted in significant engagement about what people value and why, as well as what they could do to support those things.
	
	✓ Following the Budget Conversation, using a "You said… we did" approach, the Council clearly set out online how funding was being allocated to support the priorities which are important to residents and other stakeholders. A progress update looking ahead to 2019/20 budget proposals is accessible online.
		The Family Poverty Strategy 2017/22
		
		Digital Communication Strategy
		
		Budget Process 2017-2020: Update and Next Steps
		
		Our Funding for 2019/20

B. Ensuring openness and comprehensive stakeholder engagement		
The Council's Commitment to Good Governance	The Council's Commitment to Good Governance	The Council's Commitment to Good Governance
	✓ Scrutiny Committees proactively invite local and national interested parties to contribute to their discussions.	Scrutiny Committee news bulletins
	✓ To promote transparency and wider engagement with Council decisions, residents can use Social Media, such as Facebook, Twitter, LinkedIn and Instagram, as well as YouTube and Vimeo, to get updates from and interact with the Council.	Social Media Updates
	✓ There is a Social Media Code of Practice for staff in place to ensure a consistent approach, security of information, and avoid reputational damage. Social Media Guidance has also been provided for Members, which has been updated and was reviewed by Standards Committee in March 2019.	Social Media Guidance for Members
	✓ As part of its consideration of the needs of the current and future service users in the city, the Council produces an annual Joint Strategic Needs Assessment (JSNA). This provides a baseline assessment of need across the city as a whole, and is a key piece of evidence underpinning the development of the Joint Health and Wellbeing Strategy.	Joint Strategic Needs Assessment
	✓ Our Integrated Annual Report gives an overview of funding, spending, activities and performance to show what was achieved in the financial year, as we worked towards the city's goals outlined in the Our Manchester Strategy.	Integrated Annual Report
	✓ The Age-Friendly Manchester Older People's Board includes and represents older people, addressing issues affecting the quality of life for older residents and their communities across Manchester. The Board members provide a vital voice for older people in the city.	Older People's Forum and Board

		✓ The Council is committed in its support of the Manchester Youth Council, which acts to ensure young people have a strong voice enabling them to influence decision makers in the city and shape future services.	Manchester Youth Council
		✓ The Council produces public reports which provide information on complaints performance, and which identify where service improvements may be required. Strategic Directors share the complaints performance reports with their respective Executive Members. At year to date up to Q3 2018/19, 79% of first stage corporate complaints (where the complaint is handled by the service that has been complained about) were responded to in timescale, compared to 87% at the same point last year. The number of complaints at stage one was 1,684, compared to 1,452 last year. At Q3 26.3% Ombudsman complaints have been upheld. At the same point last year 37.2% had been upheld.	Annual Complaints and Enquiries Report

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**

Defining Outcomes	✓ An extensive consultation in 2015 led to a 10-year strategy for the city – the Our Manchester Strategy – which included a new approach to working across the whole organisation and with residents, partners and other key stakeholders. The overall vision is of Manchester as a:
	  o Thriving and Sustainable City
	  o Highly Skilled City
	  o Progressive and Equitable City
	  o Liveable and Low Carbon City
	  o Connected City
	
	✓ Our Corporate Plan sets out the Council's contribution to the Our Manchester vision, the priorities for the next 2-3 years are;
	  o Young people
	  o Healthy, cared-for people
	  o Housing
	  o Neighbourhoods
	  o Connections
	  o Growth that benefits everyone
	  o Well-managed Council
	
	✓ The Council uses its budget and business planning process to ensure that progress towards the strategic vision for the city is made in the most effective and efficient way.
	
	✓ The Council sets a Medium-Term Financial Strategy, which sets out the financial assumptions and provides a set of goals for financial decision making for the planning period ahead.
		Our Manchester Strategy
		
		Business Plans and Budgets
		
		Medium-Term Financial Strategy

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ A Performance Management Framework enables the Council and its Committees to access timely and accurate information about service delivery, supporting intervention to address any barriers to good performance.	Performance Management Framework
	✓ The city's role in delivering Our Manchester will provide a key element of support for the linked objectives of the Greater Manchester Combined Authority (GMCA), as set out in the Strategy launched in October 2017; "The Greater Manchester Strategy – Our People, Our Place".	Our People, Our Place
	✓ The Council has processes in place to identify and manage risks to the achievement of its objectives, as set out in the Risk Management Strategy 2018-20. The Corporate Risk Register is a part of this framework and is used to inform decision making, provide assurance over actions being taken to manage key risks, and to inform risk management planning and mitigation activities.	Annual Corporate Risk Management Report and Corporate Risk Register
	✓ The Council has developed a School Governance Strategy to support and secure effective governance of schools in the city.	The School Governance Strategy
Sustainable Economic, Social and Environmental Benefits	✓ The themes of sustainability, equity, and low carbon emissions are at the heart of the vision statement in the Our Manchester Strategy. In reports where the Council is recommending a decision, the impact that the decision will have on these broad objectives in the strategy will be set out.	
	✓ The Council sets out the factors it has taken into consideration when making decisions in reports, which are available on its website. It also maintains a public Register of Key Decisions.	Executive Reports Register of Key Decisions

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Sustainable Economic, Social and Environmental Benefits	✓ Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. The Council has a longer term five-year Capital Strategy, which has formed a critical part of strategic service and financial planning from 2017/18. ✓ As part of the business planning process, the Council sets out how it will work towards its agreed Equality Objectives. When required, Equality Impact Assessments are carried out to assess the impact of proposals, which may have an effect on different individuals and communities across the city. ✓ The Council strives to ensure fair access to services and monitors the extent to which this is occurring through its regular 'Communities of Interest' publication. Future publications will be called 'Communities of Identity'. ✓ The Our Manchester Strategy includes the commitment that *'Manchester will play its full part in limiting the impacts of climate change and by 2025 will be on a path to being a zero carbon city by 2050'.* ✓ Along with other partners, the Council works with the Manchester Climate Change Agency (MCCA) to develop initiatives which will contribute towards the goal of Manchester becoming a zero carbon city. ✓ After collating views from across the city on climate change and the strategy for becoming a zero carbon city, the MCCA launched its Manchester Climate Change Strategy 2017-50 in December 2016. Information on progress can be found in their Annual Report. ✓ The Manchester Local Industrial Strategy will support the delivery of the Our Manchester Strategy by producing a delivery plan that will help to create a more inclusive economy.	Capital Programme Equality Objectives Communities of Interest Manchester Climate Change Agency Manchester Climate Change Strategy 2017-2050 Manchester Local Industrial Strategy

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	✓ Manchester is collaborating with the other GM authorities to prepare the Greater Manchester Spatial Framework (GMSF). This document will provide a policy framework to guide development across the City Region up to 2037. It will also provide a context for the preparation of Manchester's Local Plan. A consultation on the second draft GMSF is running between January and March 2019. ✓ To enable a coordinated approach to transport investment, the Council will work with other GM authorities, GMCA, the Local Enterprise Partnership and TfGM to deliver the Greater Manchester Transport Strategy 2040. ✓ An updated Family Poverty Strategy for Manchester has been in place since September 2017, supporting the aim of becoming a more progressive and equitable city. ✓ The Council is part of a Strategic Education Partnership, working with schools and local businesses to promote economic growth, reduce dependency, and help people gain the skills needed to access rewarding jobs in the city. ✓ The Council considers Social Value and follows an Ethical Procurement Policy, which sets out ethical trade practices and the ethical core objectives that the Council will deliver through commissioning and procurement activities. The Council pays at least the Manchester Living Wage (MLW) of £8.75 per hour, and commends the adoption of the MLW to its contractors and suppliers.	Greater Manchester Spatial Framework Consultation and Manchester Local Plan Review - Update Greater Manchester Transport Strategy 2040: Draft Delivery Plan (2020–2025) Manchester Family Poverty Strategy 2017-2020 Strategic Education Partnership Board Social Value

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Determining Interventions	✓ Decision makers receive accurate, relevant and timely performance and intelligence to support them with objective and rigorous analysis of options, covering intended outcomes, financial impact and associated risks informing efficient service delivery. This can take the form of regular performance reporting, or bespoke reports. ✓ Delegation of decision making to officers is detailed in the Constitution, so that they can deal with the day-to-day running of the service without the need to constantly refer matters back to Elected Members. Details of what decisions are taken in this way are included in the Scheme of Delegation in the council's Constitution. Further specific delegations may be granted, through recommendation in public reports to Committees.	Performance Management Framework Executive Reports Constitution (Part 3, Section F)
Planning Interventions	✓ The Council plans its activity at a strategic level through its budget and business planning cycle and does so in consultation with internal and external stakeholders to ensure services delivered across different parts of the organisations and partners complement each other and avoid duplication. ✓ The Manchester Partnership's Thematic Partnerships support delivery agencies across the city to co-ordinate their activity and consider how they can collaborate to reduce the risks to achieving their outcomes. ✓ The effectiveness of the Council's interventions and the quality of its services is monitored through the provision of regular performance reports, showing progress towards goals and targets set in the budget and business plans. Key areas are highlighted, so that decision makers can take corrective action where necessary.	Business Plans and Budgets The Manchester Partnership Performance Management Framework

D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	✓ The Council's Digital Communication Strategy sets out its approach to engaging with stakeholders, to ensure their involvement in determining how services and interventions should be delivered.	Digital Communication Strategy
	✓ The Council has a Planning Protocol within its Constitution (Part 6, Section B), to ensure fair planning decisions are based on sound evidence. This was reviewed by Standards Committee in November 2018.	Planning Protocol
Optimising Achievement of Intended Outcomes	✓ The Council integrates and balances service priorities, affordability and other resource constraints, supporting it to take into account the full cost of operations over the medium and longer term, including both revenue and capital spend budgets. This includes a medium term financial plan for the remainder of the Spending Review period to 2019/20.	Medium Term Financial Strategy Capital Programme Updated Financial Strategy 2019/20
	✓ The context and documents which support the Council's overall strategy are set out in its Efficiency Plan, published on the Council's website as required by Government for a four-year financial settlement.	Efficiency Plan
	✓ The Council considers Social Value at pre-tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submissions. An example of this can be seen in the major six-year restoration project – Our Town Hall.	Social Value Our Town Hall – Social Value

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**

Developing the Organisation's Capacity	✓ The Council's Our People Strategy articulates what its workforce will need to be like in order to achieve the vision set out in Our Manchester. As part of this workforce plans are developed, which ensure staff have the necessary skills and behaviours to deliver this vision for the city. These behaviours are;
	
	     • We work together and trust each other
	     • We're proud and passionate about Manchester
	     • We take time to listen and understand
	     • We 'own it' and we're not afraid to try new things
	
	✓ The Council continually seeks better outcomes from its use of resources by comparing information about functions, expenditure and performance with those of similar organisations and assesses why levels of economy, efficiency and effectiveness are different elsewhere. It acts upon the findings of this intelligence as part of its budget and business planning to ensure continual effectiveness of service delivery.
		Our People
		
		Business Plans and Budgets

Developing the Capability of the Organisation's Leadership and Other Individuals	✓ The Council Leader and Chief Executive have clearly defined roles, and maintain a shared understanding of roles and objectives. The Chief Executive leads on implementing strategy and managing service delivery and other outputs set by members. The Chief Executive and Leader provide a check and balance for each other's authority. ✓ The Council maintains an annually updated Scheme of Delegation, setting out which decisions and powers have been delegated to various Committees and Officers.	Constitution (Part 3, Section F) Constitution (Part 6, Section F)

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ To enable Elected Members and Senior Officers to have a shared understanding of their respective roles the Council has produced a Protocol governing Member and Officer relations.	
	✓ New Members receive an induction and training throughout the year. The form and content of the induction is reviewed annually with Members. Member Development Strategy was considered at March 2019 Standards Committee.	Member Development Strategy
	✓ An Annual Members' Assurance Statement is compiled, to identify governance challenges relating to the roles of elected members.	
	✓ As part of the Our People strategy, improved induction and appraisal processes ("About You") were introduced. These ensure all staff understand the part they will play in delivering the vision for the city in Our Manchester. A new induction approach has also been developed.	Our People
	✓ Each year the Council listens to the views of its staff via the annual "BHeard" survey, and uses learning from this to make continuous improvements in the way that it operates and communicates. This feedback played a key part in the development of the Our People Strategy.	Our People
	✓ There are a number of tools in place to ensure staff are briefed effectively, for example via staff engagement events, such as "Listening in Action" events which seek to engage staff on a regular basis and involves a Questions and Answers session with the Leader and Chief Executive, as well as active participation from Executive Members.	
	✓ Internal regular staff e-mail communications have been re-launched with a new look and feel for 2019;	

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	• **The Buzz** – a dedicated channel for Chief Executive to connect with staff in an informative and engaging way. • **Team Talk** – a dedicated channel for all managers. • **The Forum** – an all-staff broadcast designed to include something for everyone. ✓ The Council delivers a comprehensive programme of leadership and management development, which all new managers are enrolled on. The programmes are targeted at different Grade banding, and cover a spectrum of areas essential to managers in the organisation. ✓ The Council is committed to promoting the physical and mental health and wellbeing of the workforce as a core component of the People Strategy through both specific interventions and opportunities and as a central part of the role of all managers. There is a dedicated intranet page with a wide range of support and guidance for staff and their managers covering a wide range of health and wellbeing topics and a 24/7 Employee Assistance Programme (phone line) providing a range of support. In September 2018 a new strategy for Employee Health and Wellbeing in the Council: 'Being Our Best Selves' was launched. ✓ The Council has an open and welcoming approach to external and peer review and inspection and actively considers constructive feedback.	[Being Our Best Selves]

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Managing Risk	✓ The Council operates a risk management framework that aids decision making in pursuit of the organisation's strategic objectives, protects the Council's reputation and other assets and is compliant with statutory and regulatory obligations.	Risk Management Strategy 2018-20
	✓ The Corporate Risk Register is part of this framework and is an articulation of the key risks impacting the Council. It is used to inform decision making, provide assurance over actions being taken to manage key risks and to inform directorate level risk management planning and mitigation activities. Named risk managers are identified in the Register for its key strategic risks.	Corporate Risk Register
	✓ Risk training has been reviewed and refreshed alongside the Our People and Our Manchester strategies. The full training package will be relaunched in 2019 and integrated into a wider portfolio of staff training opportunities that includes access to courses sponsored at a Greater Manchester level, by the Civil Contingencies and Resilience Unit, in addition to internal training opportunities developed by the Risk and Resilience Team.	
	✓ Risk management is an integral component of the budget and business planning process. During 2019/20 additional focus will be given to the scrutiny and assurance over Business Plan risk assessments, led by the Governance and Assurance Group. Risks to the delivery of Business Plan objectives form a core component of corporate risk profile, with emerging risks that may impact on the delivery of corporate priorities escalated from directorates to the corporate risk register and scrutiny by Strategic Management Team.	Business Plans and Budgets
	✓ In December 2017 Personnel Committee agreed a revised health and safety policy, supported by a three-year health and safety strategy. Key priorities are to strengthen leadership of health and safety, ensure managers focus on significant health and safety risks and improve employee participation within the risk	Corporate Health and Safety Policy and Three Year

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	assessment process. Strong progress has been achieved, with 320 managers completing managing health and safety training and 164 managers completing leading health and safety training. A refreshed range of health and safety guides, templates and resources has been shared with over a 1,000 managers. Health and safety has now been included in all corporate and directorate Joint Consultative Committees to improve collaboration with Trade Unions on the health, safety and welfare of Council employees.	Health and Safety Strategy
Managing Performance	✓ The Council puts in place Key Performance Indicators (KPIs) to monitor service delivery whether services are produced internally or through external providers. Reports compiling KPIs are submitted to directorate management teams to support transparency and resource allocation to address challenges. ✓ The Council has developed performance 'logic models' which give senior managers a clear picture of progress towards Our Corporate Plan priorities. This has been done through taking a holistic view of shared priorities across Services, and understanding the collective contribution required to make a difference. These models measure both internal and external factors that influence performance towards our priorities. ✓ As part of the business planning process Directorate objectives are reviewed, leading to a review of the relevant performance indicators to monitor progress towards them. ✓ The Council ensures that external companies who deliver services have an understanding of expected contract performance, and monitoring takes place throughout the contract period.	Performance Management Framework Business Plans and Budgets

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ Each year the Council produces the State of the City report, which details the performance against key measures established to understand how the city is meeting its vision and priorities.	State of the City
Effective Overview and Scrutiny	✓ The Council has six scrutiny Committees, which hold decision makers to account and play a key role in ensuring that public services are delivered in the way residents want. The agenda, reports and minutes are publicly available on the Council's website.	Scrutiny Committees
Robust Internal Control	✓ The Council has robust internal control processes in place, which support the achievement of its objectives while managing risks. ✓ The Council's approach is set out in detail in both the latest Annual Corporate Risk Management report, and its Internal Audit Plan.	Internal Audit Plan 2018/19 Annual Corporate Risk Management Report
	✓ The Council has an Audit Committee, in line with CIPFA's 'Position Statement: Audit Committees in Local Authorities and Police (2018)', which provides an independent and high-level resource to support good governance and strong public financial management. The Committee has two Independent Co-opted Members, and provides a mechanism for effective assurance regarding risk management and the internal control environment. ✓ The Council maintains clear policies and arrangements in respect of counter fraud and anti-corruption. These are the Anti-Fraud and Anti-Corruption Policy; Whistleblowing Policy; Anti Money Laundering Policy and the Anti Bribery Policy.	Audit Committee

F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	✓ An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Council's internal auditor in the "Head of Audit and Risk Management Annual Opinion 2018/19" section of this Annual Governance Statement.	[Annual Governance Statement](#)
Managing Data	✓ The processing of personal data is essential to many of the services and functions carried out by local authorities. The Council complies with data protection legislation, which includes GDPR (General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This will ensure that such processing is carried out fairly, lawfully and transparently. ✓ The Council reviews and supplement its policies, and also keep its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued from time to time by the Information Commissioner's Office (ICO). ✓ The Council ensures that officers handling personal data are trained to an appropriate level in the use and control of personal data. It is made clear that all staff and Members are personally accountable for using the Council's information responsibly and appropriately. All staff must undertake protecting information e-learning training, and this forms part of the induction process for new staff. ✓ To remind staff of their responsibility to always take due care to protect information, the Council uses internal communication campaigns; posters and email reminders signposting to information protection principles and guidance. ✓ Information Governance is overseen by the Corporate Information Assurance and Risk Group (CIARG) chaired by the City Solicitor who is the Senior Information Risk Officer for the Council (SIRO).	

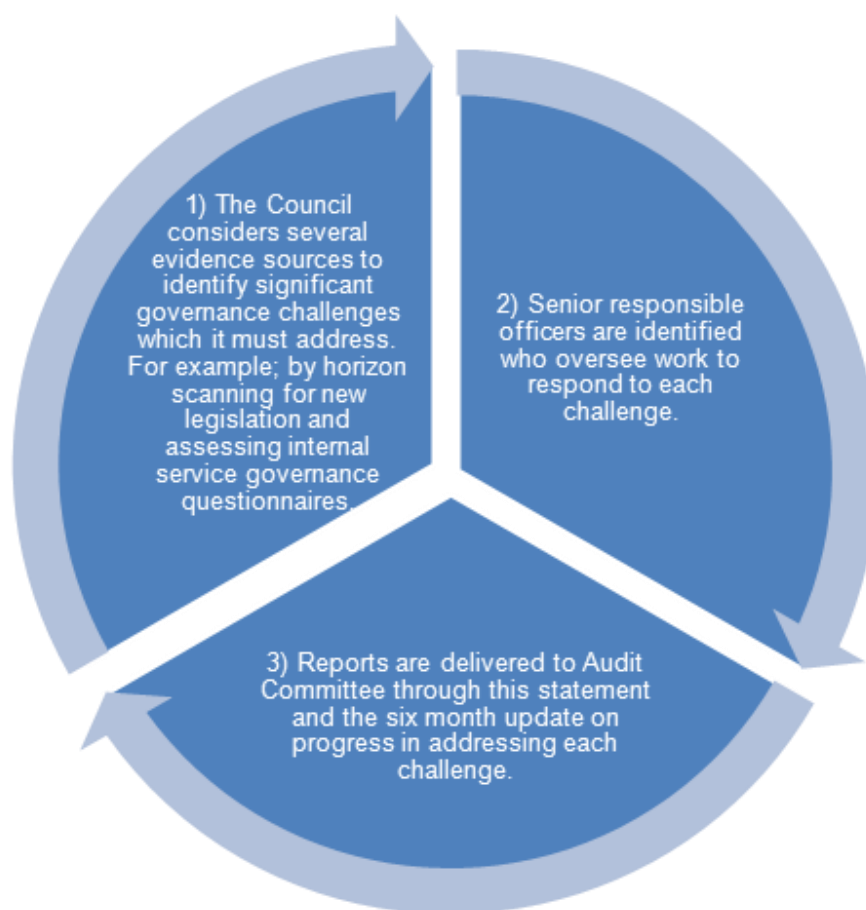| F. Managing risks and performance through robust internal control and strong public financial management		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
	✓ The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames, in the areas mandated by the Code in the Council's Open Data Catalogue together with additional data of value to stakeholders and the public. ✓ The Council allocates resources to review and monitor the quality of the data which it produces, and which it uses to produce performance reporting to inform decision making. ✓ The Council makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Data protection legislation, including the Data Protection Act 2018, provides individuals with various rights. The Council ensures that all valid requests from individuals to exercise those rights are dealt with as quickly as possible, and by no later than the timescales allowed in the legislation.	Local Government Transparency Code Open Data Freedom of Information
Strong Public Financial Management	✓ The Council's approach to Financial Management ensures that public money is safeguarded at all times, ensuring value for money. Its approach supports both long term achievement of objectives, and shorter term financial and operational performance. ✓ The Chief Finance Officer (Deputy Chief Executive and City Treasurer) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control. The City Treasurer ensures well developed financial management is integrated at all levels of planning and control including management of financial risks, systems and processes. The Constitution (Part 5) details the financial regulations which underpin the financial arrangements	Medium-Term Financial Strategy Constitution (Part 5)

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Council's Commitment to Good Governance	How the Council meets these principles	Where you can see Governance in action
Implementing Good Practice in Transparency	✓ The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data. ✓ The Council's website is set out in a clear and easily accessible way, using infographics and plain language. Information on expenditure, performance and decision making is sited together in one place and can be accessed quickly and easily from the homepage.	Local Government Transparency Code manchester.gov.uk website
Implementing Good Practices in Reporting	✓ The information in the Annual Report is drawn from sources including the more detailed State of the City publication, which charts the city's progress towards its vision and priorities. ✓ The Council explains how it reviews its governance arrangements, and how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing this Annual Governance Statement (AGS). This includes an action plan (section 7) identifying what governance challenges it will need to address in the next financial year. A concise summary of the findings of the AGS is included in an easily digestible format within the Annual Report.	State of the City Annual Governance Statement
Assurance and Effective Accountability	✓ The Council welcomes peer challenge, internal and external review and audit, and inspections from regulatory bodies and gives thorough consideration to arising recommendations. An example of positive improvement having taken place following recommendations was the outcome of the Ofsted re-inspection of	Ofsted Re-inspection of Children's Services

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability		
The Council's Commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
	Manchester's services for children in need of help and protection, children looked after and care leavers.	[Outstanding Audit Recommendations](#)
	✓ The Council monitors the implementation of internal and external audit recommendations. Assurance reports are presented to Audit Committee and Mazars (the Council's external auditors) bi-annually summarising the Council's performance in implementing recommendations effectively and within agreed timescales. As at February 2019, no External Audit recommendations were outstanding.	
	✓ This Annual Governance Statement contains a section "Annual Review of the System of Internal Audit 2018/19" which sets out how the Council has gained assurance regarding the effectiveness of its Internal Audit function.	
	✓ Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and have been adopted by the Council. This process includes the development of an Emergent Audit Plan designed to invite comment from management and the Audit Committee.	[Internal Audit Plan 2018/19](#)

5.   Annual review of effectiveness of the governance framework

5.1   The Council has a legal responsibility to conduct an annual review of the effectiveness of its governance framework, including the systems of internal control. After conducting this review the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was achieved.

5.2   As well as providing overall assurance about the Council's governance arrangements, the review mechanisms detailed in this section are used to identify governance challenges. This process takes place in a cycle, to ensure continuous improvement, as illustrated below. The next section details progress made in addressing these challenges.
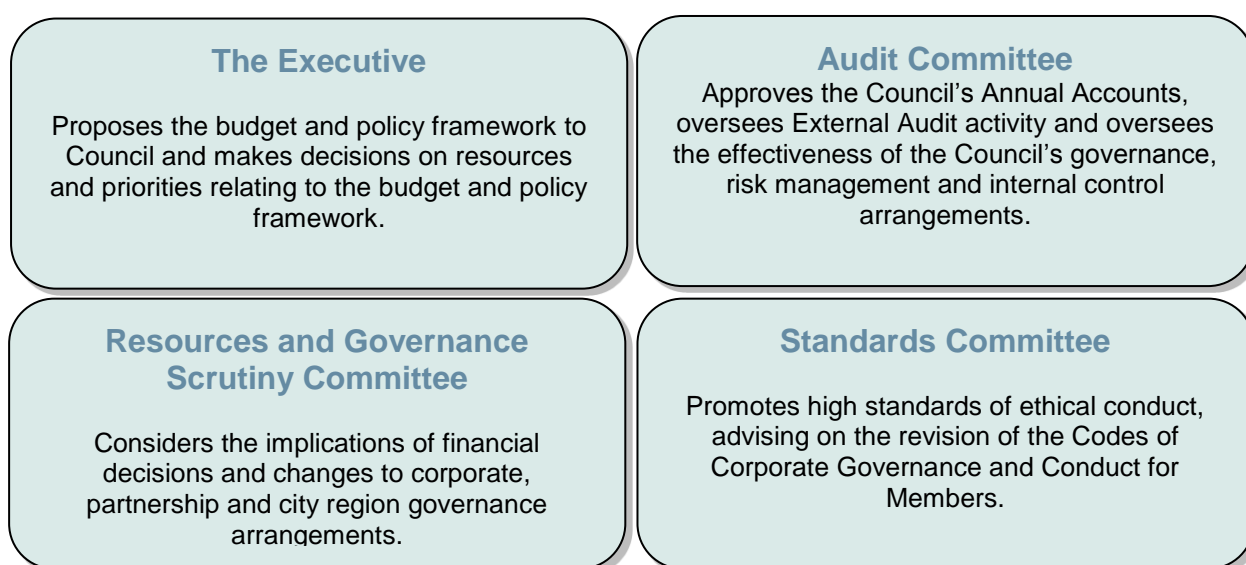
The governance improvement cycle

1) The Council considers several evidence sources to identify significant governance challenges which it must address. For example; by horizon scanning for new legislation and assessing internal service governance questionnaires.

2) Senior responsible officers are identified who oversee work to respond to each challenge.

3) Reports are delivered to Audit Committee through this statement and the six month update on progress in addressing each challenge.

Leadership of governance and internal control

5.3 Responsibility for governance and internal control lies with the Chief Executive and the Strategic Management Team (SMT) which meet on a roughly bi-weekly basis to steer the organisation's activity. SMT receive a regular suite of assurance reports from a number of sources, including the Corporate Risk Register, and the Integrated Monitoring Report which allows the Council to track performance towards its agreed objectives. Once per year SMT review the progress in addressing the significant governance challenges which have been identified.

Summary of the process of challenge and scrutiny by Council and its Committees

5.4 The Council has four bodies responsible for monitoring and reviewing the Council's governance;

The Executive	Audit Committee
Proposes the budget and policy framework to Council and makes decisions on resources and priorities relating to the budget and policy framework.	Approves the Council's Annual Accounts, oversees External Audit activity and oversees the effectiveness of the Council's governance, risk management and internal control arrangements.
Resources and Governance Scrutiny Committee	**Standards Committee**
Considers the implications of financial decisions and changes to corporate, partnership and city region governance arrangements.	Promotes high standards of ethical conduct, advising on the revision of the Codes of Corporate Governance and Conduct for Members.

Head of Audit and Risk Management Annual Opinion 2018/19

5.5 *Opinion narrative provided in the separate report at Agenda Item 7.*

Annual Review of the System of Internal Audit 2018/19

5.6 *Opinion narrative provided in the separate report at Agenda Item 7.*

External Auditor's Review of the Effectiveness of Governance Arrangements

5.7 The Council's external auditor is now Mazars. Grant Thornton, the previous external auditor, produced their final Annual Audit Letter for the 2017/18 financial year, which summarised the key areas highlighted by the work they had carried out. The Annual Audit Letter 2017/18 was reported to Audit Committee in November 2018. The main conclusions of the Audit Letter regarding the key assessment areas were:

Overall Value for Money Conclusion:

"We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources for the year ended 31 March 2018. An unqualified Value for Money conclusion was issued."

Audit of the Accounts – Audit Opinion:

"We gave an unqualified opinion on the Council's and group's financial statements on 31 July 2018, meeting the statutory deadline."

5.8　The Council monitors the implementation of external audit recommendations. Assurance reports are regularly presented to Audit Committee and Mazars summarising the Council's performance in implementing recommendations effectively and within agreed timescales. However, progress is also monitored through other relevant Committees and Scrutiny functions. The latest Outstanding Audit Recommendations Report was taken to Audit Committee in February 2019. There were no outstanding External Audit recommendations.

Annual Review of the role and responsibilities of the Chief Finance Officer

5.9　As part of its work on governance and financial management across public services, CIPFA issued its Statement on the role of the Chief Financial Officer in Local Government (the Statement) in 2016. The Council has undertaken a review of the role and responsibilities of its Chief Financial Officer (CFO) against the five principles that define the core activities and behaviours that belong to the role of the CFO and the governance requirements needed to support them.

5.10　The 2018/19 review concluded that the CFO met the responsibilities of the Senior Finance Officer in full and was ideally placed to develop and implement strategic objectives within Manchester City Council, given her role as the City Council's Section 151 Officer, Deputy Chief Executive and City Treasurer. She reports directly to the Chief Executive and is a member of the Council's Senior Management Team. The CFO influences all material business decisions and oversees corporate governance arrangements, the audit and risk management framework and the annual budget strategy and planning processes. The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Annual Report of the Standards Committee

5.11　The Council is committed to promoting the highest standards of conduct by members and has adopted a Code of Conduct for all members as part of its constitution. The Council has also established a Standards Committee, which is responsible for promoting and maintaining high standards of conduct by members of the Council. The Annual Report of the Standards Committee is one of the Council's sources of governance assurance.

Assessment of the robustness of corporate governance across services

5.12 As part of the process of identifying any areas where governance needs to be strengthened across the organisation, services complete an annual online questionnaire indicating whether they comply with each of the criteria in the Code of Corporate Governance. The questionnaire has been updated to reflect the revised Code of Corporate Governance, with a key focus being assessment of the embedding of the Our Manchester approach and behaviours. Analysis of the responses shows compliance with the Code is generally robust.

Areas of particular strength identified in the questionnaire responses included;

- The Service considers Social Value at pre tender and tender stage to ensure that appropriate desirable outcomes can be offered by suppliers in their tender submissions. Through this process consideration is given to how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area.
- The service has a plan to implement changes based on the findings of the "BHeard" staff survey.
- Scrutiny Committees - Officers are aware of and know how to engage with and support the Scrutiny Committees.

Areas showing the most improvement since 2017/18 included;

- Workforce Plans are effectively implemented to ensure that staff develop the skills and behaviours which will contribute to the vision set out in Our Manchester, and as articulated in the Our People Strategy.
- The service has strong information governance processes and procedures in place, which incorporate the requirements of GDPR and the Data Protection Act 2018. These processes and procedures are understood and followed by staff, who have all undertaken necessary training, including e-learning. The Golden Rules for Information Security are understood by all staff.
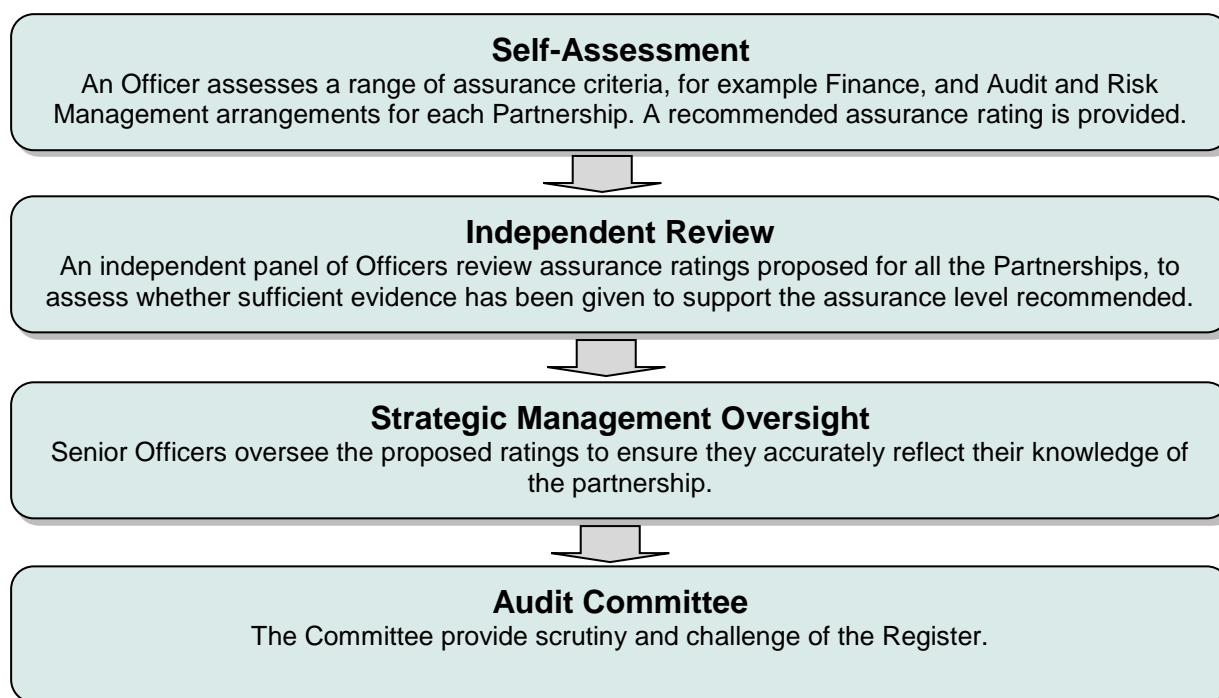
5.13 Using a strengths based approach, services highlight and give more information about areas of strength and good practice in their questionnaire responses. These are then shared, so that good practice can be adopted across the organisation.

5.14 The analysis has also identified areas where improvement is required, which is part of the evidence based which informs the governance challenges which the Council will address in 2019/20 (Section 7). Examples include;

- The 'Our Manchester' Strategy priorities - the 64 'we will' commitments - and the seven Our Corporate Plan priorities are understood and embedded in the work of the service.
- All staff are aware of and know how to access the Whistle Blowing and Anti-Fraud and Corruption procedures as well as the Employee Code of Conduct (on the HROD intranet) and the Member / Officer Relations Protocol (within the Constitution)

Evaluation of the effectiveness of processes to gain assurance about the robustness of governance arrangements in the Council's Significant Partnerships

5.15 The Council has a standardised approach to managing its partnerships as detailed in the Partnership Governance Framework. This supports officers and stakeholders in ensuring that good governance is understood and embedded from the outset, and throughout the lifetime of all partnerships. The governance arrangements of the Council's partnerships, which are on the Register of Significant Partnerships, are self-assessed annually to provide assurance that effective arrangements are in place, and to highlight any governance challenges which need to be addressed.

5.16 The annual self-assessment process has been developed to provide clear accountability, and robust scrutiny and challenge. It can be summarised as follows;

Self-Assessment
An Officer assesses a range of assurance criteria, for example Finance, and Audit and Risk Management arrangements for each Partnership. A recommended assurance rating is provided.

Independent Review
An independent panel of Officers review assurance ratings proposed for all the Partnerships, to assess whether sufficient evidence has been given to support the assurance level recommended.

Strategic Management Oversight
Senior Officers oversee the proposed ratings to ensure they accurately reflect their knowledge of the partnership.

Audit Committee
The Committee provide scrutiny and challenge of the Register.

5.17 The Council works to continuously improve both governance in partnerships, and the assessment process. Every six months Audit Committee scrutinises the progress which has been made to implement improvements amongst those partnerships that the process has identified have governance challenges to address. Audit Committee will request Executive Member and Senior Officer attendance where it has specific areas it wishes to address. The assessment process is reviewed annually. This review concluded the current process is fit for purpose, but the Partnership Governance Framework guidance will be reviewed - and updated as deemed necessary - in time for the subsequent (2019) assessment cycle.

External inspection agencies

5.18 The Office for Standards in Education, Children's Services and Skills (Ofsted) inspects and regulates services which care for children and young people and those providing education and skills for learners. It publishes all school inspection reports on its website, in addition to the inspection reports for the services for children and families which the Council provides. The last inspection took place in October 2017, with a subsequent focused visit in September 2018.

5.19 The Care Quality Commission (CQC) is the regulatory body responsible for the quality of health, and adult social care services in England and carry out reviews of local arrangements. The CQC advises Councils that, although not a statutory requirement, it is good practice to produce "local accounts". Local accounts must demonstrate how the Council has safeguarded and maintained personal dignity, put people first and achieved value for money, judged against the health and social care outcomes for their area. The Council's Local Accounts are reviewed by Health Scrutiny Committee.

5.20 Mazars are the Council's External Auditors. They carry out auditing of the Council's activities in accordance with the National Audit Office (NAO) Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014. Their key responsibilities are to:

- o Give an opinion on the Council's financial statements
- o Assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion)

6 Progress in addressing the Council's governance challenges

This section provides an update on progress made addressing the Council's governance challenges which were identified in last year's AGS (2017/18). Progress is reviewed every six months, with an update previously being provided to Audit Committee in November 2018. Topics are grouped together, relative to particular areas of governance.

Governance Area: Delivering Our Manchester

Action 1) Ensuring the Our Manchester behaviours become embedded and reflected in all aspects of service delivery, ensuring that staff develop the skills and behaviours articulated in the 'Our People' Strategy, including effective implementation of workforce plans. Adopting a strengths-based approach to engaging with residents, and ensuring the Our Manchester approach is used strongly and consistently across all aspects of the Council's communications.

'Our Corporate Plan' was launched in November 2018, which sets out the Council's priorities for the next three years. These priorities describe the most important activities that constitute the Council's contribution to delivering the Our Manchester Strategy. This plan supports staff to understand the connection between the work they do every day, and the bigger vision for the city, allowing everyone to make the connection to Our Manchester whilst demonstrating the four Our Manchester behaviours.

Embedding the Our Manchester behaviours is at the heart of the Our People Strategy, which is integral to the delivery of one of the priorities of 'Our Corporate Plan': A well-managed Council. The information below summarises a number of key activities progressed in the past year to support the embedding of these behaviours across the full workforce:

- The Our Manchester Experience was launched in October 2017, as an immersive learning experience to provide all staff with an opportunity to explore what the Our Manchester behaviours mean to them in the context of their own roles. Over 2,200 Council staff and 200 partners have participated in the Experience to date with feedback scores consistently around 90%. Work is continuing to support all staff in accessing the experience within three years.
- The Experience operates with the dedication of 46 Guides, who are council employees from across the organisation, that have volunteered to deliver training sessions, and act as ambassadors for Our Manchester. Every quarter new guides are recruited, with the aim for minimum 70 Guides to help deliver the Experience at full capacity.

- A refresh of the Our Manchester Experience is underway, which will strengthen the way theory is applied practically, with changes set to be live from April 2019.
- An Our Manchester Behaviours toolkit to support individuals and teams to explore and adopt the behaviours was launched in October 2018, with 66 trained 'toolkit ambassadors' across the council, with the aim to train minimum 70, or one in every service by April 2019.
- Over 50% of leaders and managers have engaged with the Council's core leadership and management programmes, 'Raising the Bar' and the 'Our Manchester Leadership programme'. These programmes will help managers understand how they can support their teams to embed the behaviours in everything they do.
- Over 325 staff have accessed the Council's employer supported volunteering policy, providing over 2,473 hours in volunteering to support the City's communities and demonstrate their commitment to putting the Our Manchester behaviours into action.
- Strengthened routes for internal communication and engagement continue with 2,308 employees, and 24 Members attending a Listening in Action event (end of Round 8).
- All services have been asked to take part in an Our Manchester Self-Assessment Tool based on a maturity matrix model, which is intended to assess how services are understanding and embedding the Our Manchester approach and behaviours. The overall organisation position is at 'developing', with the aim to support services to 'maturing'.
- Co-design and testing of a Strengths Based Development Programme is complete which will help staff across the Health and Social Care sector to adopt an asset based way of working from April 2019.
- Strengthened processes for workforce planning live for the next financial year and underpinned by an improved corporate learning offer and support structures, including coaching and mentoring.
- A refresh of the Council's leadership and management development offer to re-launch in April 2019.
- Work is underway to strengthen core people management policies and processes to reflect the Behaviours, reinforcing these through our practical framework of people management. To date work has been delivered to update the Council's Recruitment and Selection policy and make a number of practical improvements to mi people Self Service.
- Behaviours are continued to be embedded through the delivery of the Health and Wellbeing Strategy, and demonstrated through Reward and Recognition, in particular categories and judging criteria for Awards for Excellence.

The organisation is now firmly a 'one to watch' employer with an overall improvement of 19 points in the 'Bheard' Survey 2018 (630 points). It saw a significant increase in staff engagement, with the highest response rate than ever before; 55% of employees responded (nearly 4,000 staff) with a 14% increase in off-line staff participation. This is a strong indication that staff are more engaged and the impact that the targeted work of Our Manchester has had. The Survey did, however, highlight some clear areas for improvement, including strengthening the way the organisation's senior leaders visibly demonstrate the behaviours.

The role, skill and capacity of line managers is absolutely central to delivering work to embed the Our Manchester behaviours across the organisation. It is also essential that all staff understand their role and the part they play to deliver against our corporate plan, which contributes to the success of the Our Manchester Strategy. The behaviours remain central to everything that the council does, and the key areas listed above will continue corporately, and in specific Services to further embed them in all that the Council does.

All Services across the Council have completed an Our Manchester Self-Assessment to provide a clear baseline of how services are embedding Our Manchester in their day-to-day work. The organisational position indicates that the majority of services are self-assessing as 'developing', with the focus of activity going forward to move from 'developing' to 'maturing'. The assessment process is helping to ensure that there is a consistent application of the behaviours across the organisation, highlighting good practice, providing a mechanism for services to 'buddy up' for shared learning, and identifying opportunities for the behaviours to be demonstrated. As further progress is made, the ambition is that this should lead to a strengthened position around embedding the Our Manchester approach and its impact on governance, as identified through the next annual service governance questionnaires.

Governance Area: Health and Social Care Integration

Action 2) Supporting the integration of health and social care by ensuring effective governance of integrated teams, including operation of the MHCC commissioning function, and implementation of the Local Care Organisation (LCO).

Manchester Health and Care Commissioning (MHCC) is a partnership of the Council and the NHS Manchester Clinical Commissioning Group, which was established in April 2017. MHCC developed a single Operational Plan for 2018/19 and this has subsequently been updated and agreed by all partners for 2019/20. The MHCC priorities for 2019/20 are: prevent and tackle health inequalities, transform community based care, transform hospital based care, deliver a transformed health and care system, and key enabling programmes such as organisational development. MHCC is governed by a Board which includes the Council Chief Executive, Deputy Leader, and the Executive Member for Adult Health and Well-Being.

The Manchester Local Care Organisation (MLCO) will deliver integrated out of hospital services, including Community Health, Primary Care, Mental Health and Social Care. The first phase of MLCO came into effect in April 2018, when the management of a number of services including community health services and adult social care city wide services transferred to MLCO. This was

enacted through the signing of a Partnering Agreement by all key partners: Manchester Clinical Commissioning Group; Manchester City Council; Manchester Foundation Trust; Greater Manchester Mental Health Trust; and Manchester Primary Care Partnership.

Approximately 990 FTE Council employees from across Adult Social Care and Business Delivery transitioned to the MLCO in the early part of 2018/19, in order to deliver the services that formed part of Phase One of MLCO. An October 2018 report to Health Scrutiny Committee details these services, which include Social Work, Primary Assessment and Re-ablement services. They will form part of the first suite of services to come together with Health as part of twelve Integrated Neighbourhood Teams working across the City. A February 2018 report to Personnel Committee sets out in full the implications for workforce, engagement and organisational development. A subsequent February 2019 report to Health Scrutiny gives a further update of progress made across core business areas of MLCO.

More generally, the development of the MLCO is being governed by the MLCO Partnership Board, with internal management oversight being provided through robust governance arrangements including an MLCO Executive team. Work to define Phase Two of MLCO is being led by MHCC.

Further to the Annual Governance Statement update in March 2018, there is an ongoing procurement process for the health services in scope of integrated out-of-hospital care. Social Care is connected by means of a Service Level Agreement, which is part of the Partnering Agreement. MLCO is the single preferred bidder in the procurement process.

NHS England (NHSE) has launched a national consultation on the draft Integrated Care Partnership (ICP) contract that is intended to underpin local integration of services. The continued existence of barriers such as VAT, the legal challenge and the development and implementation of the national contract model are likely to have an impact on the procurement process and contract award. Meanwhile, MHCC and MLCO are working together to improve services on the ground, pending completion of the procurement process and resolution of national constraints, which are outside the control of the Council and its health partners in Manchester.

A February 2019 report to Audit Committee describes in more detail the governance and assurance framework in respect of health and social care integration from a Council perspective.

Governance Area: Adults Services Governance

Action 3) Adults Services governance oversight: operational compliance, quality assurance and the transition from Children's to Adults Services provision.

During 2017/18 the Council's Internal Audit Service issued reports in four areas relating to adult services with limited assurance opinions:

- Transition: Children to Adults
- Disability supported accommodation services, Quality Assurance
- Homecare Contracts
- Client Financial Services

Regular detailed update reports have been taken to Audit Committee (22 March 2018, 3 September 2018) to provide assurance relating to actions being taken to address concerns raised in the audit reports. In addition, an Improvement Plan is now in place for Adult Social Care which includes actions identified through internal audits, as well as actions to address wider operational and quality issues.

The Improvement Plan is focused on ensuring the basics are in place for adult social care and to successfully deliver health and social care reform and integration. Key areas of focus in the plan include:

- Ensuring that **processes** are streamlined and consistently managed across the service**.** This work will align responsibility and decision making to effectively meet people's care needs and maximising the opportunities afforded by the new case management system, LiquidLogic. Collectively this work is critical in ensuring delivery of an improved service delivery and value for money.
- Strengthening the basics of social work **practice** including accountability and management support and appropriate supervision
- Ensuring that appropriate professional standards are in place across the workforce and strengthened **workforce** planning and career pathways
- Securing the appropriate **resources** to stabilise the service, as well as work to design a fit for purpose structure for the future as part of the integrated structure within MLCO.

A brief summary of the governance arrangements in place to provide oversight of this work, and the progress made to date in relation to the specific internal audit actions is included in this report.

Governance oversight and assurance

The improvement plan is being overseen by a Senior Improvement Group, reporting to the MLCO Executive and the Council's Strategic Management Team. The Senior Improvement Group works closely with the Adults Directorate Management Team and Performance Board, which oversees implementation of audit recommendations.

A Health and Social Care Commissioning Group also has oversight over performance and quality of commissioned activity as well as finance and service developments. This has a wide membership across Council relevant services and health partners and includes the Lead Member.

Whilst the audit reports have identified areas of concern, a number of immediate actions have been taken to reduce risks, and actions are planned where issues require greater investment of time and resources. Governance arrangements will continue to provide assurance over progress as deadlines for implementation fall due.

Transitions from Children's to Adults Services

Work looking at the Transition Planning Team (TPT) and its responsiveness to the Care Act 2014 and outcomes for young people and their families began in February 2016. At that time it was understood that the group of young people being referred to the TPT had a far wider set of care and support needs than had traditionally been supported by the TPT. This led to engagement sessions with Children's Social Care, Leaving Care Services, Children's Health commissioners and with parent carers. At the time of the audit report (February 2018) this work continued, however there was a recognition that a systems wide approach to the complex issues that young people, their families and practitioners were facing needed to be taken. And at that time the system was not were it needed to be to engage in sharing responsibility of the young people of the city who were it would be of significant benefit for them to receive support through their transition. The audit provided limited assurance that effective arrangements were in place to support young people transitioning from Children's to Adults' Services. A number of actions have been taken, and are planned in response to the findings. These include:

- Improved engagement with colleagues across the city to inform the future vision and strategy - this included a key workshop with all relevant professionals

- Joint funding of a new Strategic post by Children's and Adult Services to drive forward a plethora of improvement plans
- Extensive engagement and co-production with parent and carers
- A new governance model through a Transition Board and alignment to the Adults Improvement Plan
- Development of detailed linkages between both the Learning Disability and Autism GM strategies and Transition

Our Children living in Manchester are now receiving a health summary as they transition to adulthood. An Adults and Childrens Pathway has been agreed, where all Care Leavers over the age of 18 that may require an adult assessment will be provided with a Care Act Assessment. Training for Independence booklets and a toolkit have been developed and rolled out, with training for Foster carers to support. Further work to support care leavers has also been undertaken:

- The quality of intervention has improved by updating the Pathway Plan to include the Signs of Safety practice model
- Partnership working with the Homelessness Service, RSLs and providers of supported accommodation has taken place. This is proving positive, with no care leavers in emergency accommodation arrangements and the allocations policy has been revised to offer 15 Care Leavers priority access (Band 1). More than 50 arrangements and lettings have been offered to Care Leavers since the pilot began. Soft marketing for supported accommodation has been carried out with Registered Social Landlords with nine properties being provided for care leavers, two of which are termed as Tenancy Starter Training Flats. It is, however recognised that the availability of accommodation is a challenge and there is a significant piece of strategic and commissioning work underway to ensure our care leavers receive the best quality accommodation. All of this work is captured in a project and programme approach that is currently overseen by the care leavers board; ensuring political, strategic and operational alignment.
- There is a new role for the Independent Reviewing Officer service in the first post-18 review of the young person's Pathway Plan to recognise both the short and long-term benefits of employment and training acting as a protective factor for young people.
- The Prince's Trust are developing a project bespoke for care leavers and young people involved in the youth justice service in Manchester. This will include a range of employability and skills courses. In addition, they will focus their work on Not in Education, Employment or Training (NEET) and at risk of being NEET young people - through a purpose developed 'One Stop Shop' hub.

- The 'Mind The Gap' project for eight of our young women has commenced - a six month programme of work designed for women in order to improve their health and emotional wellbeing, employability and Education, Employment and Training (EET) opportunities.
- The service has continued with their 'Aspiration Panel' in which young people are presented to access support from a multi-agency panel for direction and guidance to achieve their desired EET outcome, e.g. a young person discussed at the last panel sought advice around a pathway to becoming a qualified mental health nurse.
- Funding and appointment has been secured for a practitioner to work closely and link in with the North West Business Leaders - with the key priorities being reducing the number of not in employment education and training thus widening the number of employment and training opportunities for our young people.

Quality Assurance - Disability Supported Accommodation Services

The audit gave limited assurance that the Quality Assurance Framework was operating effectively and in accordance with expectations, to support delivery in line with legislation. A number of actions have been taken, and are planned in response to the findings. These include:

- Improved processes around audit allocation, resulting in a more cohesive and consistent approach
- Workshop with partners to streamline and define the quality assurance documentation - documentation has now been streamlined and further defined, and the guidance notes changed to reflect this. The revised documentation was trialled by a number of Support Coordinators during a pilot in December 2018 to test the changes. Following a feedback session, the documentation was further revised, and has now been changed on the intranet and rolled out across the Service. The Guidance Document is more succinct and directly correlates questions to the evidence criteria required, and has details of what the auditor should be looking for and asking.
- Inclusion of further care aspects such as safeguarding, Mental Capacity Act and Deprivation of Liberty Safeguards included in the revised document - Duty of Candour, Deprivation of Liberty and Safeguarding questions to assess staff knowledge and understanding of these concepts and legislation have now been incorporated into the audit documentation.
- Improved case file tracking system now in place and embedded as an approach within the service

Homecare Contracts

The limited assurance report on homecare contract governance was issued in March 2018. Planned actions to address these issues were:

- The new model of homecare will start to move the Council away from the 'time and task' model but, initially at least, hours of care will still be the unit of currency used to pay providers and they will continue to submit claims for payment on the basis of hours of care delivered.
- More capacity will be in place to manage the detail of contracts in future, with at least six link managers liaising with homecare providers, and a strengthened team of brokerage and placements officers able to take a much more hands-on approach to ensuring that payments and care are reconciled at an individual and contract level.
- Use of Electronic Call Monitoring is mandatory, meaning we will no longer receive manual invoices.
- Providers will also supply a range of quality, social value and performance information including user satisfaction surveys.
- The procurement process for the new homecare service started in September, with contracts due to be awarded in February 2019, and the new service up and running in May and June 2019. Mobilisation work is underway now and it is expected that new teams will be up and running before the start of the new contract

Client Financial Services (CFS) - Cash Handling

Limited assurance was provided in the December 2017 audit report over the effectiveness of system in place where Appointee Support Officers (ASO) are dealing with customers' cash and the Council act as an Appointee or Deputy. Actions which have been taken to address the issues raised include:

- Two new dedicated Appointeeship Support Officers (ASO) have now been created instead of this being a social worker task, freeing up social work capacity
- Extensive work has taken place by the ASO Manager to develop detailed policies and procedures to ensure that the ASOs, as lone workers, are safe, working to the prescribed Audit recommendations and that they are following key recommendations in relation to cash handling
- Lone working monitoring is now in place for the ASOs so their community location is known at all times and they can summon help in an emergency
- Improved cash receipting procedures now in place and signed off by Audit.

Governance Area: Information systems and governance

Action 4) Improving the resilience of ICT systems, and the Council's arrangements for disaster recovery

Disaster Recovery (DR)

The overall objective of the Data Centre (DC) Programme is to ensure high availability of critical business applications, services and ICT infrastructure, based on the operation of services from two active data centres rather than a 'traditional' model of a primary and backup data centre. This model means that each data centre will always be active and in the event of interruption or disaster at one, the other centre will act as an almost immediate failover solution and thereby ensure that operational services are maintained as far as possible without disruption.

The DC programme is now in the delivery phase and by the beginning of 2020, services are expected to be operating from two separate DR equipped data centres within Manchester that the Council will rent as a managed service facility. The Programme comprises the following three tranches:

- **Core Infrastructure Refresh (delivery phase)** - The Core Infrastructure Refresh Project is progressing well and all of the Council's virtual servers will be running on new technology and the migration of file shares and SAP will be completed by end of summer 2019 in the current Council Data Centre, providing greater resilience prior to the move to the new data centres.
- **Network Design and Implementation (delivery phase)** - The contract has been awarded for the new technical infrastructure and professional services that are required for the new network and connectivity to be delivered to the two data centres. Orders will be placed during February 2019 with works completed by the end of 2019.
- **Data Centre Facilities and Migration (delivery phase)** - This tranche is dependent on network connectivity being in place before the migration of IT services. The migration of services is scheduled to take place from August through to early 2020.

Significant planning and discussions with business colleagues are already underway in order to help minimise operational impact. The programme team has established a Programme Steering Group, chaired by the Chief Information Officer (CIO) which will

oversee all aspects of the programme. The Steering Group reports into the monthly ICT Board and on to Senior Management Team periodically.

Cyber Security

The Council acknowledges the ongoing and increasing risk that is manifested through Cyber Crime, furthermore the Chief Executive and Senior Management Team understand that Cyber Security is a corporate responsibility, and not just an ICT function. The Council continues to invest in its people and technology whilst developing a rigorous approach to Cyber Security, ensuring that appropriate defences are deployed to protect the Council services it provides. Defences are constantly being reviewed and strengthened through a proactive system that includes applying software security patching for identified system security vulnerabilities, and through improved anti-virus and malware protection. Ongoing investment is in place to ensure the corporate estate remains as secure as possible.

ICT continues to strengthen its position around Cyber Security and has recently appointed a new Security & Resilience Manager that reports directly to the Director of ICT. This role has the responsibility for establishing the Cyber Security Strategy for the Council, whilst ensuring all information assets and technologies are adequately protected. Reporting into this new role is the ICT Compliance Manager and the Cyber Security Service Delivery Manager. Other roles within this team include a Senior Security Analyst and a Senior Technical Analyst. An additional development opportunity has been made available to the final technical analyst role within the Cyber team with the individual now enrolled in to a two-year Cyber Security Apprenticeship. The onsite Cyber Security team are further supported and enhanced by our relationship with specialist organisations including Warning, Advice and Reporting Point (WARP), and The National Cyber Security Centre (NCSC). The recently awarded Security Services contract award that was made in 2018. This specialist and local external partner provides subject matter expertise, consultancy and business as usual support.

The Council recognises that one of the biggest risks to the organisation remains with our end-users. It is essential that all staff and Members have access to a standard Cyber Security training programme which will be used to educate all our system users with the minimum cyber security skills. The award winning Training modules consist of engaging eLearning content and user interactions. These short, targeted courses will allow staff to learn through digestible bites of training. These best practice recommendations are not specific to Council systems, but should be used to protect all online user accounts regardless of the location both in the work and personal environments. Additionally, this platform will also deliver ICT policy management acceptance and compliance, whilst also

providing the ability to test our own users with sample 'phishing' emails. The training suite will be coupled with a management system which will allow tracking and reporting on levels of uptake and can force users to undertake training, policy reading and acceptance before being allowed to logon if required.

Action 5) Improving information management, and preparing for the introduction of the EU General Data Protection Regulation.

As detailed in last year's AGS, all organisations which handle personal data have to comply with the EU General Data Protection Regulation (GDPR). The GDPR came into force on 25 May 2018, and is the biggest change to Data Protection law in over 20 years.

Whilst the fundamental principles of data protection remain largely unchanged, the GDPR introduces a more enhanced data protection regime. It brings a 21st century modernising approach to the processing of personal data in the digital age, imposing new obligations on data controllers, such as the Council (and for the first time) data processors (persons who handle information under outsourcing arrangements) as well as expanding the rights individuals have over the use of their personal information impacting people, processes and technology across all business functions.

A key change requires organisations to show compliance through existence of policies, procedures and staff training, and be able to demonstrate how in each case it has complied with GDPR requirements. It requires accountability at Board level evidencing a 'whole system' ethos in the way the organisation protects, governs and knows its data; adopting a 'privacy by design' and 'privacy by default' approach.

The GDPR has introduced a new duty on all organisations to record all data breaches, and to report data breaches that are likely to result in a risk to individuals to the Information Commissioner's Office (ICO) within 72 hours of becoming aware of the breach. If there is a high risk to the individual there is also a requirement to notify the individual without undue delay.

Governance and compliance monitoring

To ensure that the Council is compliant with the GDPR, an intensive work programme led by an interdisciplinary team of officers has been carried out supported by a project manager. The project has been supported at a senior level across the Council, with regular reporting to the City Solicitor who is the Council's Senior Information Risk Owner (SIRO), the Council's Corporate Information Assurance Risk Group (CIARG), Departmental SIROs (DSIROs) and the Council's Strategic Management Team (SMT).

The Council has built on existing practices and procedures to ensure staff are aware of the need to take care when handling personal data and what constitutes a data breach. The Council's data breach management procedures use a directorate based model. Awareness regarding GDPR requirements including data breaches has been raised by a variety of measures such as a 'Golden Rules' communications campaign. As at July 2018 92% of staff with ICT access had completed the Council's Information Governance e-learning module. Arrangements have been made for training staff who do not have ICT access. Deputy DSIROs have received face to face training on data breach handling.

The Information Governance e-learning module has been made available to all Councillors and all Councillors have been sent a GDPR Guide on processing personal information as data controllers in respect of constituency work.

As required by GDPR the Council has appointed a Data Protection Officer (DPO). One of the main tasks of this role is to monitor the organisation's compliance with the GDPR, and the Council's data protection policies. The Council's DPO is consulted in relation to all data breaches and as part of his role makes recommendations to CIARG and DSIROs, to ensure lessons are learnt across the Council.

Next steps

The Council's rating using the ICO's data controller online GDPR self-assessment tool is 'overall green'. The main focus now is to fully embed the new requirements. This will be an ongoing programme. A Phase 2 of the GDPR plan has been drawn up. It includes supporting Deputy DSIROs in their role, embedding Data Privacy Impact Assessments, and ensuring appropriate processes are in place for data sharing and data processing. Central to this is the Phase 2 Communications Plan which is anticipated to be discussed at CIARG in February 2019.

Freedom of Information, and Data Protection Subject Access Requests

Work to improve speed of response to Freedom of Information (FOI) and Subject Access Requests (SARs) is, as previously, led by DSIROs and Heads of Service. Performance Reports continue to be considered at each CIARG meeting. The target for responding to requests within the statutory deadline (in line with ICO expectations) is 90%. In the year to date (April to December 2018) the Council received 1921 FOI requests. Of the requests responded to within this period, 81% were responded to on time. The Council received 651 SARs during this period (excluding disclosure requests). Of the requests responded to within this period 88% of requests were responded to on time.

Governance Area: Finance

Action 6) Changes to the local government finance system, and delivery of continued significant savings

Changes to Local Government Finance system

The wider changes affecting business rates and funding reform will come into effect from 2020. The impact of these is, as yet, unknown. Similarly, with BREXIT negotiations ongoing and the increasing potential for a 'no deal', there is further uncertainty on future funding and service demand.

2019/20 is the last year in the four-year settlement 2016/17 - 2019/20, however there are a number of unknowns which may impact including the roll out of welfare reforms and the outcome of BREXIT negotiations.

From 2020/21, there will be significant changes to Local Government financing which includes:
- New Spending Review period starts 2020/21 – Reports Summer 2019.
- Funding formula for allocating funding to local authorities is changing. Reports Summer 2019.
- Changes to how business rates are managed – currently the Council retains 100% of growth generated during the valuation period, although this is then lost at reset of base. Currently Government is generally seeking a move to 75% retention.
- Business rates income is very volatile and difficult to predict, particularly due to the number and scale of appeals and the lack of information following the move to the Check, Challenge and Appeal process
- Potential changes to funding for adult social care with the Green Paper expected in spring 2019.

The Council is engaging with central government and other interested bodies through formal consultation responses and working groups to ensure the impact of the potential changes on local government, and particularly cities is recognised. This includes responding to the Local Government Association green paper for adult social care and wellbeing, technical provisional settlement consultation response and numerous Fair Funding and Business Rates redesign workshops and consultations as well as contributing to papers considered by the Fair Funding Technical working group.

In relation to Business Rates Reform Manchester has been involved in a number of schemes to maximise the resource available in the region including the creation of a Business Rates Pool across Greater Manchester (GM) and Cheshire, the Business Rates

Growth Retention Scheme 2015 and a three year 100% retention pilot from April 2017 to March 2020. A response to a consultation on further reform of the system from 2020/21 was submitted in February 2019.

The review of relative need and resources will propose an updated formula for distributing funds across Local Authorities, this is welcome as the data in the current formula has not been updated since 2013/14. Government have now published the second of several formal consultations on this and aim to implement the findings of the review in 2020-21. The Council is working closely with the Ministry of Housing, Communities and Local Government (MHCLG), Local Government Association (LGA) and other Local Authorities (particularly Core Cities) to ensure the circumstances of metropolitan cities are represented in the review, specifically in relation to the impact of deprivation on need to spend. Detailed responses will be submitted for all relevant consultations and representations made where possible. The Council have recently made a representation on the impact of density of spend, to the Fair Funding Technical working group which is chaired by MHCG and LGA and submitting a response on this latest consultation by 22 February.

Delivery of continued significant savings

SMT consider the progress against the 2018-20 savings at their monthly budget meeting and updates are provided monthly to Executive Members. Resources and Governance Scrutiny Committee and Executive meetings in October 2018 received a report on the detailed monitoring position, including the forecast achievement of savings and Executive received further updates in December and February.

The approved savings target is £25.482m for 2018/19 and £9.022m for 2019/20. Following a number of years of budget cuts, these represent challenging savings and their delivery is regularly monitored. A summary of the updated 2018/19 savings position is set out below.

	Savings Target 2018/19					
	Green	Amber	Red	Total	Non recurrent / Investment	Net Total as per MTFP
	£000	£000	£000	£000	£000	£000
Children's Services	3,670	373	7,381	**11,424**	(741)	10,683
Adults and Social Care	2,068	2,200	5,366	**9,634**	(1,115)	8,519
Corporate Core	2,312	633	0	**2,945**	0	2,945
Neighbourhoods	2,950	385	0	**3,335**	0	3,335
Strategic Development	0	0	0	**0**	0	0
Total Budget Savings	**11,000**	**3,591**	**12,747**	**27,338**	**(1,856)**	**25,482**

The key areas of concern are those savings targets that have been rated as high risk or 'red'; the reported position assumes these will not be achieved in 2018/19. The main reasons are:

Children's Services £7.381m: Residential placements reduction £2.797m and External Fostering £2.934m, residential preferred supplier agreement £1m, External Foster care, new North West Framework £0.650m. Non-recurrent/Investment of £0.741m to increase internal foster care numbers and conversions from external foster care.

Adults and Social Care - £5.366m – Reablement £0.810m risk that the model will not have the impact on savings; Assistive Technology £2.159m risk due to the delay in development of the model and mobilisation of the service; High Impact Primary Care £213k requires savings from Residential, Homecare and Social Work to realise savings; Prevention £0.834m due to the delay of recruitment; Strength based support planning £0.600m as the implementation plan is not yet in place; low cost placements £250k due to delay in development of the model and procurements requirements; Contract review £0.500m plan in place but contract savings for 2018/19 not identified; Non-recurrent/Investment of £1.115m reduced the savings requirement, these include savings

made in 2017/18 on minor schemes of £0.595m and Adult Social Care grant of £250k, with a further £270k investment on Assistive Technology.

In 2018/19 an overspend of c£1.1m is reported, which reflects pressures being experienced nationally, particularly in Children's Social Care. The overall position has improved significantly from the previously reported overspend of £13.7m following the development of Budget Recovery Plans to address the position. All Directorates are continuing to work towards greater efficiencies and accelerating savings where possible in order to ensure the delivery of the Medium Term Financial Plan (MTFP) is not undermined.

The 2018/19 budget process identified £9.022m of savings and budget reductions to be delivered in 2019/20. As part of the 2019/20 budget process these have been reviewed and replaced where appropriate and further £5.776m of recovery plan savings have been agreed bringing the total required to £14.798m. These are summarised in the table below.

Updated Savings and Budget Delivery Plans

	2019/20		
	Approved Savings	Recovery Savings Proposals	Total
	£000	£000	£000
Adults Social Care	18	1,975	1,993
Homelessness	0	440	440
Children and Education Services	2,269	776	3,045
Corporate Core	2,160	1,189	3,349
Neighbourhoods	4,575	376	4,951
Strategic Development	0	1,020	1,020
Total Savings identified	**9,022**	**5,776**	**14,798**

Detailed work will now begin on the budget requirements for 2020/21 and beyond. This is in the context of considerable changes to Local Government Funding including the outcome of the Spending Review, changes to how local government funding is distributed,

changes to the Business Rates Retention scheme, and the Green Paper on the future of Adult Social Care funding and interaction with the NHS 10-year plan. Due to the timescales for calculating and consulting on the above changes the level level of funding to be made available by the government is not expected to be known until Autumn 2019 therefore it is very difficult to plan with any certainty. Initial very high level work has led to an estimated budget gap for the council in the region of £75m by 2025 therefore discussions are starting on the next round of planned reductions.

Governance Area: Programme and Project Governance and Delivery

Action 7) Ensure robust governance and delivery of the new five-year Capital Programme Strategy, including major infrastructure projects across Highways and Strategic Development

Capital Programmes

The Capital Strategy was revised as part of establishing the Capital Programme approved by Executive at its meeting on 7 February 2018. The Strategy is a long term rolling programme covering five years providing planned investment to define Manchester as an attractive place to live and further improve the quality of life for its residents; to increase their overall social and economic prospects and enable them to fully participate in the life of the City. Important to the delivery of these aspirations will be:

- to support, promote and drive the role and continuing growth of the city as a major regional, national and international economic driver; as the main focus for employment growth through a strengthening and diversification of its economic base and through the efficient use of land;
- to support investment in transport infrastructure the City Centre which will lay the foundations for continuing success by 'future proofing' the city's transport infrastructure including; the Second City Crossing, The Northern Hub, Cross City, Bus Corridor and the redevelopment of Victoria Station;
- to drive forward the Council's Residential Growth Strategy and associated policy frameworks such as Housing Affordability and the Residential Quality Guidance, all of which seek to provide the city with an expanded, diverse, high quality housing offer that is attractive to and helps retain economically active residents in the city, ensuring that the growth is in sustainable locations supported by local services, good public transport infrastructure, and core lifestyle assets such as parks, other green and blue infrastructure, and leisure facilities. This will include maximising the opportunities through Manchester Place,

Manchester Life and the Housing Investment Fund and to be able to react flexibly to deliver an attractive housing offer for the City;

- to deliver a Schools Capital Programme that will support new and expanded high quality primary and secondary school facilities for a growing population;
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and
- to continue to promote investment to secure an internationally competitive cultural and sporting offer and sustaining core lifestyle assets such as parks, leisure facilities and libraries within the City.

The governance structure is summarised in the following chart and detailed in the paragraphs which follow:
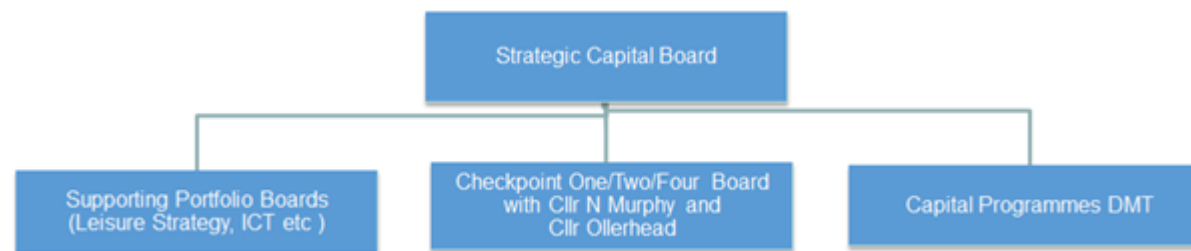
The Strategic Capital Board, chaired by the Deputy Chief Executive and City Treasurer and with a membership consisting of the main portfolio leads (Directors) together with representatives from Capital Programmes, Finance and Legal Services has been established to ensure that all capital projects meet the strategic priorities of the Council, provide value for money, and have effective risk management in place regarding cost and delivery. The terms of reference for the Board include:

- To provide the strategic framework for the development and delivery of the Capital Strategy
- To be responsible for ensuring the effective implementation, operation and review of the Checkpoint process that oversees the investment lifecycle from project pipeline to post completion review, including approving schemes to progress at relevant Checkpoints subject to conditions being met.
- To review and consider the pipeline of projects prior to Checkpoint 1, as proposed by Portfolio Boards and confirm agreement to progress through approval process.

- To consider and agree fast tracking of approvals where conditions met.
- To receive and approve requests for feasibility funding subject to conditions being met.
- Ensure accountability for the delivery of the agreed capital programme to time, outcome, quality and cost; and ensure reviews against project plans at regular milestones
- To review, as a minimum, the top ten risk concerns identified within the capital programme and ensure relevant actions in place to mitigate
- Continually review the longer term capital investment strategy with regard to allocation and reprioritisation of resources for recommendations to Executive.
- Support the delivery functions in Highways and Capital Programmes to achieve excellence and provide an effective delivery and management function

Over the last 12 months, the Board has reviewed all new capital projects and has provided support and challenge to these as required, and has continuously reviewed the existing capital programme. The Board has completed a review of the new capital approval process, and is introducing measures to strengthen governance particularly regarding the role of Directorate Boards in capital decision making, and the use of the Register of Key Decisions.

The Board reviewed the information provided to committees regarding the progress of the capital programme and has made fundamental changes to the monitoring reports to widen their scope to provide information on key milestones, finance, project outcomes including social value and risk. It is recognised that this will continue to be developed, alongside further system improvements as outlined in the paragraphs below.

The Strategic Capital Board is underpinned by a number of Portfolio Boards covering the main areas of the capital programme to ensure that there is detailed oversight of submissions and ongoing monitoring of spend and outcomes, with course correction as required.

The business cases for investment approval which are presented to the Strategic Capital Board are progressed through a checkpoint process before spend can commence with Senior Member oversight and sign off at Checkpoints 1 (initial business case), Checkpoint 2 (detailed business case) and, as appropriate, Checkpoint 4 (approval to spend). There are five Checkpoints and Checkpoint 3 confirms the funding approvals, whilst Checkpoint 5 is project review to confirm outcomes and lessons learnt including best practice.
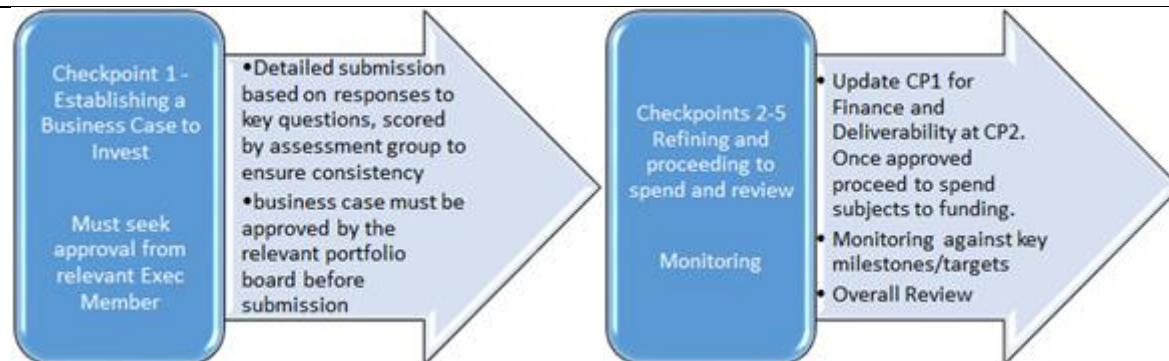
Work is underway to create a technological solution to the management of capital projects, from project inception to completion. The aim of this is to streamline the approval process, to provide a clear governance process and documentation for project decision making, and to support project officers in their delivery of the works. This will also include the detailing of the financial position both in terms of budget, actual spend and any changes.

Future reviews of the capital approval process, to ensure it is robust and appropriate for all capital projects, will be undertaken as a matter of course. Further work is required to strengthen the monitoring of benefits realisation for capital projects and ensure that good practice is embedded, including learning from elsewhere within the capital programme. Work is currently being completed to review the business case format, to provide greater focus on governance and outcomes.

Further work is also required to clearly set out the pipeline of projects, particularly in a time of constrained resources in order that investment decisions reflect any prioritisation requirements.

This strengthens the governance arrangements through ensuring transparency of the investment decision making process, through a clear Governance structure of an overarching Strategic Capital Board which is underpinned by a number of portfolio boards. The business cases are in a standard format, and are submitted to the Strategic Capital Board (and the portfolio boards beforehand) to provide a clear audit trail in support of investment decisions; and these can be called upon to support the Key Decision process. All business cases must have Executive Member support before progressing.

Highways

The Highways Improvement Board was established in September 2018, the board is chaired by the Deputy Chief Executive and attended by SMT members and Senior Officers. The Improvement Board is a further mechanism to monitor and track progress. The Director of Operations (Highways) is leading a service wide review of governance arrangements reporting to the Highways Improvement Board. The review will look to consolidate existing, and propose new governance arrangements to ensure proper engagement with the Executive Member, the Chief Executive and key stakeholders such as TfGM.

The service have also provided regular updates on progress and activity to the Executive and various Scrutiny Committee Meetings during 2018.

The Head of Design, Commissioning and PMO is now firmly established, within the team having joined the Council in July 2018. This has resulted in significant progress in strengthening the governance and reporting arrangements for the Highway Capital Programme. The Head of Design, Commissioning and PMO is leading the development of the Programme Management Office (PMO) supported by an experienced interim resource. The work is now underway to develop the function and introduce the reporting tools and collateral needed to track, monitor and provide assurance

The Head of Design, Commissioning and PMO has also undertaken a further review of capacity and has successfully recruited a number of temporary resources to ensure the continued delivery of the capital programme. Project board meetings for each major project, and regular project review and finance meetings to monitor and manage progress have now been introduced.

A new five-year programme is currently being finalised that builds on projects already in progress, that will inform how the service can make the appropriate contribution towards the delivery of the Greater Manchester Transport Strategy 2040. The programme has also been discussed with the Strategic Capital Board, as part of their governance.

Strategic Development

The Strategic Development function of the Council takes the lead in the development and implementation of proposals that will deliver major residential, commercial and cultural initiatives.

The Portfolio Boards which govern projects have been strengthened, with a consistent approach mapped back into the Strategic Capital board. Comprehensive monthly reporting of actual performance and forecasting of expected spend, activity and outcomes including re-profiling where appropriate is undertaken. This identifies progress against key deliverables in line with the Checkpoint business cases. It includes an analysis of the variance from forecasted position and identifies the impact assessment against the outputs.

A programme level Risk Register and tracker is reported alongside the monthly reporting to identify any changes in the risk profile and flag early warnings which need to be resolved. These reports are overseen by the Senior Responsible Owner (SRO) for each capital project, prior to submission.

There is a forecasting protocol to capture future Checkpoint and Business Case submissions against the Capital Programme Strategy. This is aligned with the monthly returns for committed projects outlined above. The strategic fit of potential future projects is measured against the Council's priorities within the Directorate prior to being taken forward to Capital Strategy board.

To make the service more agile a streamlined approach to small increases to capital spend or minor projects would mitigate some risks associated with projects and holding assets. The team is continuing to work with Capital Projects, to explore whether this can be achieved.

Action 8) Develop, design and deliver the Our Town Hall (OTH) refurbishment project to time, cost and quality standards.

Manchester Town Hall, which opened on 13 September 1877, is an internationally significant landmark and Manchester's greatest cultural and civic asset, which makes a significant contribution not only to the heritage but also to the identity of the City. The Town Hall, whilst structurally sound, is now seriously showing its age with many elements reaching the end of their natural lifespan. It was agreed that significant refurbishment is required to rectify the identified defects, and to protect the building for the benefit of future generations of Mancunians.

At its meeting in November 2016 Executive approved a report recommending the full refurbishment and upgrade to modern standards and partial restoration of the Town Hall. A further report considered by Executive on 8 March 2017 provided progress on the procurement of the design team and the assembling of the project team to maintain the momentum of the project to keep to the agreed work programme and timelines.

A report was delivered to full Council in July 2018 on the progress with Royal Institute of British Architects (RIBA) Stage 2 (Concept Design), including proposals for the design of Albert Square, and the closure of three sides of the Square to traffic. The project is approximately 75% through RIBA Stage 3 (Developed Design), and completion of Stage 3 is scheduled for the end of March 2019.

Governance and Risk Management

The project is overseen by a Strategic Board which is chaired by the Deputy Leader and which includes the Leader, Lead Member for Finance and Human Resources, Chief Executive, City Treasurer and City Solicitor.

A robust governance structure is in place for the OTH project, which was updated and signed off by the Strategic Board in August 2018. A schedule of delegated authorities was agreed in accordance with the Council's constitution, and the project calendar has been updated to reflect a routine cycle of reporting that is based on a four weekly flow of information upwards from the project into the governance structure.

The governance plan will ensure that the project proceeds within the cost, time and quality parameters, which will be signed-off at each stage end. This will deliver progressive cost and outcome certainty as design solutions are developed.

Regular reports are produced on performance, risk and finances. A Strategic Risk Register is monitored by the Strategic Board. The Risk Register identifies potential impact of, and mitigation strategies for, the identified risks.

The project has been the subject of two internal audits, the details of which are:

- Change Control, Monitoring and Use of Contingencies, Decision-making and Monitoring of Key Project Decisions. The auditor was able to provide substantial assurance (December 2018).
- Decant and disposal of Town Hall Portable Heritage Assets. The auditor was able to provide moderate assurance (January 2019), and recommended that, for the period beyond completion of the OTH project, proposals be developed and agreed for the future long-term storage of furniture that will not form part of the Town Hall collection, and for the staffing arrangements for curatorial care.

Actions plans have been agreed with the auditors, with planned completion dates in each case.

Progress Reporting

Publicly available detailed progress reports are regularly provided through the governance structure described above, and as required, reports are provided to Resources and Governance Scrutiny Committee and Council Executive at critical project milestones (such as appointment of the management contractor).

Previously, progress reports have been requested by Resource & Governance Scrutiny Committee on decant, communications activity, social value being achieved, design activity and the procurement of the management contractor.
A detailed report on the progress with the appointment of the Management Contractor was submitted to Resource and Governance Scrutiny Committee in September 2018, and final reports on the procurement were submitted to Resource and Governance Scrutiny Committee, and Council Executive in December 2018.

The Ethical Procurement Sub Group of the Resources and Governance Scrutiny Committee has identified the Our Town Hall Project as one of the projects it wishes to focus on in looking at maximising social value, and regular reports are submitted to this sub group. It is proposed that a report will be submitted to Executive at the conclusion of the management contractor procurement.

Procurement and Recruitment of the Project Team

The core consultant team was appointed in 2017, and is periodically reviewed to ensure that further additional specialist advice is obtained as required. The team currently comprises in addition to the core team, a buildability consultant, fire engineer, acoustician, security strategy consultant, planning consultant and creative producer.

Lendlease Construction was appointed as management contractor in January 2019. Following expiry of the Alcatel standstill period on 4 January, the management contractor's core staff mobilised into the co-located project office during January.

Moving out of the Town Hall

The decant of Council services completed in November 2018, with the relocation of the Coroner's Service into Royal Exchange. The building is therefore currently occupied only by the project team.

The removal of the first phase of the Portable Heritage Assets has now concluded (artworks and heritage furniture).

Communications and Engagement

An engagement strategy and plan, has been developed, which is intrinsically aligned to the communications strategy. It is recognised that engagement activities for the project will be varied and will need to develop over time, but immediate actions identified include:

- Acting as the "Front Door" to the Town Hall;
- Management of enquiries about the programme;
- Management of volunteer opportunities for the project;
- Engagement with neighbouring residents and businesses;
- Establishing links with the Education sector, to develop an historical, civic pride, and potential employment and apprenticeship opportunities; and
- To educate on the history of the building, the political importance, the artistry and the future legacy for Manchester's young people.

The project was featured on BBC North West Tonight on 10 January 2019, with a focus on a behind-the-scenes look at progress with the intrusive surveys and some of the lesser known back of house spaces.

Governance Area: Commissioning, Procurement and Contract Management

Action 9) Strengthening the Council's approach to commissioning, procurement and contract management.

In February 2018, the Council's SMT endorsed the work plan and priorities for the commissioning and contract management improvement programme. The work plan builds on existing strengths as well as addressing weaknesses identified in previous reviews and audit reports (including the January 2018 report to Audit Committee). The key points were:

- Strategic governance and oversight of contracts was limited, hampered by inconsistent and, in places, incomplete reporting of contract data and performance;
- Contract management processes and systems were inconsistent and prone to failure;
- Basic standards for monitoring performance were not always being followed;
- Staff and managers wanted more opportunities to develop commercial and contract skills;
- The contract design stage needed a greater emphasis on how the contract will be managed, both in terms of establishing well-designed KPIs that align with the outcome goals of the contract, and practically in how the supplier relationship will be managed;
- Social value could be insufficient or lacking in specifications and in contract monitoring.

A detailed [report on progress](#) went to Audit Committee in November 2018.   In summary, a great deal has been achieved, with notable progress on completion and analysis of contract registers, on the development of standard products and processes, and growing awareness and tools for monitoring social value in contract delivery. However, the scale and complexity of the challenge should not be underestimated, given the number, value and variety of external contracts, the Council's ambition for delivering for Manchester residents, and the pressing need to maximise value for money.

Ensuring effective strategic oversight and governance

Contract registers are in place across the directorates, providing the foundation for improved grip on contract performance and spend. However, accuracy and usage are variable: on the plus side, in some directorates, the contract register is being used as a key reference document, as the basis for forward planning of commissioning and procurement activity; for tracking performance; all contracts are assessed for criticality (Gold, Silver, Bronze) and current performance (RAG); and Directorate Management Teams (DMTs) are planning and tracking performance regularly (quarterly). In other directorates, the accuracy of contract register has slipped, owing to resourcing problems; advance planning is not in place, with high numbers of waivers and extensions; and DMTs are not fully engaged in planning commissioning and procurement, and tracking performance of contracts. DMTs have been invited to make this a priority for 2019/20.

The Commercial Board is taking a more active approach to senior oversight, and SMT in February conducted its first review of dashboards, summarising key data such as number of contracts, contract spend, number of contracts procured under a waiver to tender, activity, performance and contract breaches. The new accountability arrangements for approvals and to strengthen the pre-tender and tender stages are in place, and being communicated across the Council. The team is working with Manchester Health and Care Commissioning and the Local Care Organisation on the future management of council-funded social care contracts.

Processes and systems

Following a series of workshops with practitioners, standard processes now exist for commissioning and contract management. Implementation is not yet consistent across the Council. Discussions are under way with MHCC and MLCO about appropriate processes and systems for governance for Council-funded contracts.

Improved ICT systems and capability are required to support contract management, and is part of the ICT investment plan. Work started in April 2018 on requirements; design and procurement is due in quarter four of 2018/19 (delayed from quarter one), and implementation is due in the 2019/20 financial year.

Resourcing, skills and capability

Work is underway to raise the prominence of contract management as a career and improve staff skills and capability. Since October, there have been dedicated sessions on financial and contract management on the Our Manchester Leadership and Raising the Bar programmes; these have been well received. In addition, the Council is designing an e-learning course for contract management, to be ready this spring (delayed from autumn, owing to prioritisation of the topics for the e-learning programme).

Social Value

Commissioning for and monitoring delivery of Social Value has been included in all the new contract management standards and tools, and a Social Value Toolkit for Commissioners was launched in March 2018. To strengthen delivery of commitments in contracts, officers are focusing on ensuring that Social Value and its monitoring is explicitly covered early on, at the commissioning and pre-tender stages, and later, at the tender stage; and closely monitoring the delivery of social value once contracts are live. The approach was set out in the Report on use of Social Value KPIs for the Ethical Procurement Sub Group meeting in November 2018.

At full Council meeting in July 2018, the Council ratified the charter on modern slavery, noted that Councils have an important role to play in ensuring their contracts and supplies do not contribute to modern day slavery and exploitation, and committed the Council to a series of actions. The Report on Modern Slavery for the Resource and Governance Scrutiny Committee meeting in January 2019 set out the current position in relation to each of these ten actions, and proposed next steps.

Looking ahead

The priorities for the next six months remain the delivery of the improvement programme, with particular focus on (i) sustaining the progress that has been made; (ii) supporting Directorate Management Teams and SMT in the forward pipeline of commissions and contracts; and (iii) raising staff skills and capabilities, and facilitate cultural change. Work is underway on a communications

programme to ensure all staff are aware of their contract and commissioning responsibilities. This is a long-term improvement programme, and there remains much to be done.

Governance Area: Schools and Education

Action 10) Maintaining a strategic leadership role for the Council in the context of changing national policy in relation to schools, including changes to the school funding formula, and the reducing role of local authorities. Via partnership working, support schools to deliver a good or better level of education and learning, including improvement of quality of secondary school provision and outcomes.

The Council has undertaken a wide range of activities, and maintained and developed relationships in support of this action:

- A peer review was completed in December 2018 involving 2 other GM Local Authorities (Bury and Bolton) which looked at the effectiveness of Manchester's approach to Quality assurance of schools in supporting a Self Improving School System. The outcomes of the review were very positive; identified strengths and areas for further development.
- Continued strategic engagement with the school system through the Strategic Education Partnership Board.
- Continued partnership with Manchester Schools' Alliance (of which the Council is a member), with all major headteacher groups now incorporated into the Alliance. This Alliance reports to the Strategic Education Partnership Board on its programme to support developing practice across all types of school.
- Continued representation from Director of Education at all termly strategic headteacher groups to provide information, discussion of priorities and collaborate on ways forward. The Director of Children's Services promotes all agencies working together to improve the lives, opportunities and outcomes for young people.
- Continued coordination and facilitation of networks of key leaders from all schools to ensure flow of information and strategic intention from national government, local government, regional work and across the school system.
- Continued engagement with the school system regarding allocation and management of Dedicated Schools Grant (DSG) through the Schools' Forum.
- Annual meeting between Director of Education, senior Education officers and each Trust operating in the city to support strategic planning.

- Embed and further develop the role of Manchester School Improvement Partnership to ensure that all teaching schools and National Leaders of Education based in the city are effectively deployed to support school improvement.
- Work with school leaders to ensure that there is better coordination and understanding about the role of school representatives on different strategic boards and steering groups, and strengthening school representation on the Children's Board.
- Implementation of school governor strategy including recruitment of LA governors and termly briefings for Chairs of Governing Boards.
- Sustained quality assurance relationship with the vast majority of schools in the city, including academies and free schools, to provide the Council with a knowledge of schools and to provide the basis of relationships through which the role of schools has continued to develop. This includes development of Support and Challenge boards for schools.
- Development and dissemination in September 2019 of a 'Welcome to Manchester' pack for all headteachers which provides information on the whole schools system and offer from the Council.
- Considerable direct activity with schools in support of meeting the need for additional places, including local schools and multi academy trusts agreeing to expand and develop free school proposals in response to Council requests.
- Work with the Department for Education's (DfE) Regional Schools Commissioner, other parts of the DfE and OFSTED to place the Council at the heart of discussions about performance, capacity and growth in academy and free schools in the city.

Governance Area: Communication of Policy and Procedure

Action 11) Continued improvement of governance and communication of workforce policy and associated guidance, including embedding new ways of working. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance.

There are a number of projects in progress that modernise the way we work, focusing clear role accountabilities and automation in order to drive upward compliance levels. Examples of these initiatives are detailed below:

Induction

The induction process content has been updated, for the inductions of both new staff and managers. The updated process ensures that during induction officers are introduced to key policies and procedures, including those related to HR, Health, Safety and Welfare, Finance and Governance. The process will also outline the key priorities of the Council and the behaviours required of officers, related policy, and how this supports the Our Manchester Strategy. New starters will receive a starter booklet explaining other elements to their employment, such as flexible working; pensions; equality, diversity & inclusion; and information on our union representation. A video has also been created to provide new starters with an overview of the democracy of the Council and its decision making process. The new approach will go live before the end of the 2018/19 financial year.

Leadership Development

The Raising the Bar Programme continues to assist the development of managers up to Grade 9 ensuring that they have the knowledge, skills and behaviours to deliver Manchester's ambitious targets. For managers Grade 10 and above the Our Manchester Leadership Programme (OMLP) is providing a programme of enhanced leadership development. Currently over 50% of leaders and managers have engaged in these programmes.

Each of the programmes cover key issues, which include people, policy, health, safety and welfare management and mental health awareness. A recent addition launched from October 2018 is a financial management and commissioning module, which seeks to improve awareness and understanding of these key topic for managers. These courses explore both the behaviours required of Manchester managers, and how this links with successful delivery of the Our Manchester Strategy.

An additional Public Service Management module will be added to the Our Manchester Leadership Programme before the end of this financial year, which will focus on the accountable leader in the modern public sector, exploring themes around the changing nature of leadership in public services and the expectations of citizens. Delegates will examine what it means to be innovative and entrepreneurial, with public service values at the heart. The module will cover the following key areas:

- Public service leadership for the 21st century
- Principles of good governance
- Personal leadership
- Real life challenges and dilemmas

Communications

Channel development is a key part of the internal communications and engagement strategy 2018/19. The new internal communications team will drive forward further developments with more emphasis on insight, engagement, planning and performance.

The initial focus will be on launching a new look and feel for internal communications in 2019, starting with the core staff broadcasts. This report includes a suggested approach for the launch and proposals to further improve the three electronic broadcasts;

The Buzz – a dedicated channel for Chief Executive Joanne Roney OBE to connect with staff in an informative and engaging way. This channel showcases how the vision and priorities of the Council are being put into action, through the eyes of its most senior officer.

Team Talk – a dedicated channel for all managers. This broadcast provides a platform to share good practice, build relationships and equip managers with the tools they need to support their teams and succeed in their managerial role. Managers are encouraged to contribute stories, guest-edit and suggest ideas for each issue.

The Forum – an all-staff broadcast designed to include something for everyone, including the latest news, employee stories, events, and opportunities to get involved in shaping the future. As this is an employee-led channel, all staff are invited to contribute and help shape its content.

The aim is for the new-style broadcasts to be recognised as credible channels of communication that are valued by all members of staff due to their engaging nature. As part of the new approach to internal communications, the Council will ensure that the broadcasts are used in the most effective way and in conjunction with other channels so that communications and engagement activity is coordinated.

Our Ways of Working (OWOW)

Our Ways of Working (OWOW) is a programme of work focused on helping to achieve the Our People ambition through improving flexible working options for our employees, complemented by the right technology and office space. So far the programme has been communicated across the organisation and continues to focus on new ways of working, allowing services to tailor how they work to provide a professional and flexible offer, which works for the services and individuals. A new intranet site is in development to provide

employees and managers with all the tools, guidance and support for them to work more flexibly both as an individual and as a service. A revised flexible working policy framework and supporting guidance are also in development to help simplify this approach.

Recruitment and selection

Launched in October 2018 as part of the autumn update is the new Recruitment and Selection policy and guidance which encourages managers to 'Hire with their Head', tailoring the recruitment process to their roles and services to get the best possible candidates in a way which is fair, inclusive and consistent across the organisation. Alongside the policy, a new intranet site has been developed covering each area of the recruitment process and a mandatory e-learning course has been developed and launched to improve understanding of key areas such as equality considerations. The policy, guidance and e-learning provides consistent content which links recruitment to the Our Manchester Strategy and Our Manchester Behaviours when recruiting. Since October, 540 managers have completed the e-learning course. We are continuing to communicate with managers across the Council to increase the proportion of those who have completed training using the rebranded communication channels.

Using Workforce Intelligence

The Workforce Assurance dashboards allow HR to highlight key areas of risk to the organisation at both service and directorate levels on a quarterly basis. The range of measures included make it easy to evaluate the wider impact of service level changes: for example, the knock-on effect of high levels of turnover on staff engagement, sickness levels, agency spend and overtime usage. The dashboards have further assisted in monitoring performance against the Budget Recovery Action Plans.

The dashboards enable corporate responses to Council-wide issues: for example, one of the areas of poor performance highlighted in the dashboard was manager compliance with the Management of Attendance policy (particularly around managers recording Return to Work (RTW) interviews; and holding Attendance Monitoring Review meetings for staff who have hit an absence trigger). The RTW compliance rate in the Q3 2017/18 Dashboard was at 79% Council wide with the lowest performing directorate having a compliance rate of 55%. To address this, reminders were built into SAP to prompt managers when they had outstanding tasks of this type. The impact of the reminders has resulted in direct improvements for these metrics, which are then reported in subsequent dashboards. The Q3 2018/19 dashboard is now showing a Council wide compliance rate of 89%, with the lowest performing directorate having a compliance rate of 78%.

7. Action Plan: Governance Challenges for 2019/20 Onwards

The review of governance arrangements has identified eleven main areas where the Council will need to focus its efforts during 2019/20, to address changing circumstances and challenges identified. These are set out in the action plan below. Completion or substantial progress against these objectives is due by the end of the financial year, in March 2020.

Action	What action is to be addressed	Who is responsible for delivery	
		SMT Leads	Directors or Heads of Service
1	Continuing progress with embedding Our Manchester priorities, behaviours and approach across all aspects of service delivery, ensuring that staff develop the skills and behaviours articulated in the 'Our People' Strategy, including effective implementation of workforce plans. Supporting Services to move from 'early' and 'developing,' to 'maturing' and 'mature' in the Our Manchester Self-Assessment. Continuing to develop leadership and management capacity and capability.	Deputy Chief Executive & City Treasurer, City Solicitor	Director of HROD, Director of Strategic Communications.
2	Supporting the integration of health and social care by ensuring effective governance of integrated teams, including operation of the MHCC commissioning function, and implementation of the Local Care Organisation (LCO)	Director of Adult Social Services, Deputy Chief Executive & City Treasurer	-
3	Delivery of the Adults Improvement Plan to ensure effective triage at the front door, and the assessment and review of citizens' needs in a timely, proportionate and consistent manner. This includes Adults Services governance oversight: operational compliance, quality assurance and the transition from Children's to Adults Services provision.	Director of Adult Social Services	-
4	Improving the resilience of ICT systems, including cyber security, the Council's arrangements for disaster recovery.	Deputy Chief Executive & City Treasurer	Director of ICT
5	Governance of delivery of proposed ICT systems essential to business operations and legal compliance, including the new social care system.	Deputy Chief Executive & City Treasurer	Director of ICT

Action	What action is to be addressed	Who is responsible for delivery	
		SMT Leads	Directors or Heads of Service
6	Changes to the local government finance system, and delivery of continued significant savings.	Chief Executive, Deputy Chief Executive & City Treasurer	Deputy City Treasurer
7	Planning and implementation of changes required to mitigate potential negative impact of Brexit on budget and other assumptions for the Council, partners and residents of the City.	Chief Executive	-
8	Development, design and delivery of major infrastructure projects across Highways, maintenance, and governance of response to the reporting of road issues, linking with strategic development plans, to time, quality standards and on budget.	Deputy Chief Executive & City Treasurer, Director of Strategic Development	Strategic Director (Neighbourhoods)
9	Strengthening the Council's approach to commissioning, procurement and contract management.	Deputy Chief Executive & City Treasurer	Head of Strategic Commissioning
10	Continued development and coordination across Services of the governance, communication, implementation and monitoring of workforce policy and associated guidance. This includes ensuring strong messages around compliance and accountability, and a planned programme of work to identify and tackle areas of non-compliance.	Deputy Chief Executive & City Treasurer, City Solicitor	Director of HROD, Deputy City Solicitor

Conclusion

The governance arrangements as described above have been applied throughout the year, and up to the date of the approval of the Annual Accounts, providing an effective framework for identifying governance issues and taking mitigating action. Over the coming year the Council will continue the operation of its governance framework and take steps to carry out the actions for improvement identified in the review of effectiveness to further strengthen its governance arrangements.

Signed: ……………………………………………………………………
Leader of the Council

Signed: ……………………………………………………………………
Chief Executive

Manchester City Council
Report for Information

Report to: Audit Committee - 15 April 2019

Subject: Review of Effectiveness of Internal Audit

Report of: Deputy Chief Executive and City Treasurer

Summary

The Council conducts an annual review of the effectiveness of its system of internal audit as part of its governance assurance processes. This process is designed to provide assurance to the Deputy Chief Executive and City Treasurer, and Audit Committee over the system of internal audit including the role, function and performance of the internal audit service.

This report sets out the process for the 2018/19 review, key findings and actions proposed to further develop the effectiveness of internal audit in 2019/20.

Recommendations

Audit Committee is requested to:

- Consider the level of assurance provided by the review of effectiveness and progress on management improvement actions from the QAIP 2018/19 and planned actions for 2019/20 (appendix one).

- Review and comment on the proposed refresh of the Audit Committee Terms of Reference (appendix two).

- Review and approve the Internal Audit Charter (appendix three)

Wards Affected: All

Contact Officers:

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Background documents (available for public inspection):

Documents used in the development of the assurance report include the 2018/19 Internal Audit Plan, 2017/18 Review of Effectiveness and Progress reports to Audit Committee during 2018/19.

1 Introduction and Background

1.1 Internal Audit is one of the means by which the Council assesses the adequacy and effectiveness of its governance and risk management arrangements, ensuring that an effective internal control system is in place. It is a key source of independent assurance to management and Members and its work, including the Head of Internal Audit's Annual Opinion, helps inform the Annual Governance Statement.

1.2 The Public Sector Internal Audit Standards (PSIAS) 2017 enable the application the Institute of Internal Auditors (IIA) International Standards to the UK public sector. For 2018/19 the review of effectiveness of internal audit has been informed by a review of progress against the Internal Audit service development plan; ongoing monitoring of the performance of the internal audit activities; and a self-assessment against the PSIAS.

1.3 The service development plan incorporated actions agreed in response to the External Quality Assessment (EQA) 2017; self assessment and changes requested by Audit Committee in respect of recommendation monitoring; classification of audit risks/priorities; and formats for reporting to Audit Committee as well as a project to re-establish the audit process in line with lean principles. Action to address these matters was taken in collaboration with Bolton Council and an update is provided below.

2 Internal Review of the System of Internal Audit

Structure, Staffing and Skills

2.1 The Internal Audit Service is led by the Head of Audit and Risk Management, who for 2018/19 performed the same role for Bolton Council and the GM Combined Authority. The arrangement will change in 2019/20 as the GMCA have appointed a Head of Audit and Assurance and will develop an in house service in conjunction with Transport for Greater Manchester. This will mean Manchester' support will cease from the end of June 2019.

2.2 This arrangement continued to support the development of collaboration opportunities across teams and sharing of knowledge, skills and experience across the three authorities. The Manchester Audit team is led by an Audit Manager supported by six Lead Auditors with assigned responsibilities for dedicated portfolios which enables engagement with clients as follows:

- Adults Services, Children's Services, and Education and Skills
- Neighbourhood Services, Strategic Development and Highways
- Corporate Core and Data, Information and Systems
- Procurement, Commissioning and Contracts
- Counter Fraud and Irregularity
- GMCA Audit

2.3 The Internal Audit Service is an independent, objective, assurance and consultancy activity designed to add value and improve the Council's

operations. It helps the business accomplish its objectives by bringing a systematic and structured approach to evaluation and improvements in the effectiveness of risk management, control and governance processes. To enable this there is an in-house service which seeks to deliver a programme of audits based on its annual audit plan.

2.4   The in-house team comprises 18 FTE posts supplemented by up to 50 days per annum of specialist audit support which in 2018/19 was commissioned through the Council's Financial Service Framework. In 2018/19 the actual FTE available for audit work in the service was 16 as the impact of five staff working reduced hours; one maternity leave and two vacancies was balanced in part during the year with the one fixed term appointment and an experienced auditor secured via agency.

2.5   The audit team has an appropriate mix of experience and qualifications to support audit and assurance activity in year and where appropriate specialist resources are bought in for some work in line with resourcing plans and budgets. The skill mix in year included five qualified accountants (CCAB), six fully qualified internal auditors (F/CMIIA); four certified internal auditors; one CIPFA trainee awaiting accreditation after passing all exams. In addition, to support Counter Fraud work four members of the team are qualified in investigate techniques (ACFS and ACFT); one holds Government Intelligence Analysis training and three have training and experience the use of data interrogation software (IDEA). All staff have undertaken ongoing training in a range of professional skills as part of the service learning and development plan and requirement for continuing professional development.

2.6   For 2019/20 there will be one staff member on maternity leave for quarter one and two vacancies remain held within the structure pending the outcome of the service development review and structure review. This resource gap for 2019/20 will be offset by the extension of a fixed term contract appointment and the retention of an agency auditor for a further six-month period based on assumptions made in the annual audit plan.

2.7   In 2019/20 the service will be strengthened through appointment to a new post of Deputy Head of Audit and Risk Management. Interviews for this post were completed in March and an appointment made with proposed start date in early May 2019. The post holder will work across Manchester and Bolton and will play a critical role in supporting the leadership, management, development and delivery of audit services. A timeline for a review of the structure of the Audit and Risk Management Services within Manchester and Bolton, to support further collaboration and application of expertise across both Council, including Internal Audit, will be undertaken in the first half of 2019/20 with intention to agree and implement any required changes to structure from October 2019.

2.8   Overall the level of resources available for delivery of the annual audit plan in year was considered to be sufficient to support delivery when supported by some flexibility in the timing and scoping of work and the ability to source some external specialist resource where required.

<u>Planning, Delivery and Performance</u>

3.1   The work of internal audit for 2018/19 was set out in an audit strategy and annual plan discussed with senior managers, approved by Senior Management Team (SMT) and then Audit Committee in June 2018. The approach taken was to provide a range of audit work with different scope and coverage comprising:

- Audit Opinion Reviews (around 50% of plan)
- Audit Assurance Reviews (around 20% of plan)
- Advice, Guidance and Support (around 10% of plan)
- Counter Fraud, Probity and Investigations (around 20% of plan)

3.2   Delivery and the outcomes of audit work were reported to Directorate Management Teams (DMTs), Strategic Directors and Audit Committee on a quarterly basis and audit plans refreshed based on the basis of risk assessment.

3.3   Whilst performance and impact cannot be assessed solely on the numbers of reports issued, in 2018/19 the majority of the agreed audit plan was delivered or substantially underway by the end of March 2019. Amendments to plans reported to or requested by management were approved by Audit Committee during the year as part of regular delivery progress review.   The position at 22 March is as shown below:

Audit Outputs Issued to Date (as at March)

Audit Status	2018/19*	2017/18	2016/17
Final Reports Issued	72	103	111
Additional Work Issued	3	4	11
Draft Reports Issued	15	8	8
Fieldwork Completed or Started	22	7	29
Totals	**112**	**122**	**159**
Cancelled/Deferred	8	9	16

* Final and draft reports for 2018/19 includes investigation reports that will be reported as part of the Annual Outturn Report and the Annual Fraud Report in June 2019.

3.4   There were eight deferred and cancelled audits in the year and all changes to the audit plan were risk assessed and agreed with Audit Committee. This was requested only where the risk or system had fundamentally changed and/or where alternative assurance could be obtained or where timing made the work impractical. There were some delays in agreeing a few final reports because of challenges in agreeing action plans which in some cases spanned organisations. Any concerns were raised with Audit Committee as needed. All dates of issue of draft and final reports are shared with DMTs, SMT and Audit Committee to ensure that any concerns or undue delays arising can be addressed in good time.

3.5   Delivery in year was monitored as part of regular review by the audit management team and regular progress reviews were undertaken to support the direct supervision of audit work. Issues for delay on progressing audit work were discussed with escalation where required to seek resolution and resources reassessed as needed to balance work load and skills.   The outcomes of progress monitoring were shared with the audit team as a whole as part of the active management process.

3.6   Complaints made against the service are addressed as part of the Council's corporate complaints process and the policy requires that any whistleblowing allegations against the service are considered independently by the City Solicitor in line with policy. There was one formal complaint in the year that related to conduct of a fraud investigation case, was investigated at all stages of the corporate complaints process and was not upheld. The complainant made further allegations in relation to Legal Services staff and complaints as part of judicial processes that again were not upheld.

Findings and Reporting

3.7   The findings of internal audit work were confirmed in draft individual assignment audit reports enabling a review of factual accuracy with clients in line with standards. A two-week window was provided for responses and this was generally met but there were some exceptions which required escalation action to senior officers to ensure that work could be finalised. Usually this was due to the complexity of issues arising and the need to coordinate practical responses and action plans.

3.8   For all opinion audits, an assessment of assurance was provided within a five-point scale from "no" to "full" assurance and agreed actions were assigned a priority from "critical" to "minor", again as part of a give point scale. This basis for assessment was reviewed during the year to reassess consistency and usefulness and there is an intention to change the levels of assurance in 2019/20 from five to four levels for 2019/20 as part of the revised audit approach and audit manual.

3.9   All final reports including agreed management actions were issued to the (then) City Treasurer, City Solicitor and Chief Executive and shared with External Audit. Summary reports and all opinions issued were reported to SMT and Audit Committee quarterly as part of the assurance reporting framework. The format of summary reports will be revised for 2019/20 to include executive summaries of audit reports.

3.10   Agreed service improvement actions required following audits were progressed by service management. Internal Audit discharged its role to monitor progress to implementation on a regular basis with performance and any areas of concern reported to DMTs, SMT and Audit Committee. The implementation of recommendations was also reported to Executive Members to provide them with details of all audit reports and key issues arising.

3.11   Audit Committee discharged its role in considering findings and issues arising from audit reports thereby supporting an effective system of internal audit. The Audit Committee met seven times in the year and considered reports from the audit service and the responses from management as part of an assessment of progress and assurance. In the last twelve months this resulted in a number of specific reports being presented to Audit Committee from management and Executive Members on key areas of risk including ICT, Adults Services, Children's Services and Neighbourhoods.

Standards Compliance

3.12   The Internal Audit Section works in conformance with UK Public Service Internal Audit Standards (PSIAS). The latest self-assessment demonstrated that 97% of the 313 applicable Code requirements were met fully which was a small increase on last year. Action on a further 2% partially met standards formed part of the Quality Improvement Assurance Plan in year. The six statements classed as partial relate to the following and actions to address these are included in the QAIP Development Plan at appendix one (actions 6 and 16)

- 1210 Proficiency
    - Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?
    - Do internal auditors have sufficient knowledge of key information technology risks and controls?
    - Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?
- 1230 Continuing Professional Development
    - Do internal auditors maintain a record of their professional development and training activities?
- 2030 Resource Management
    - Does the risk-based plan explain how internal audit's resource requirements have been assessed?
- 2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'
    - Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?

3.13   The other 1% were assessed as not applicable to the Council and this was acknowledged as such by the External Quality Assurance review carried out in 2017.

3.14   The key areas for enhancement of processes and documents were reported to Audit Committee in 2017 following the EQA and were reflected in an action plan which was underway and refreshed as part of the QAIP in year. The Quality Assurance Improvement Programme (QAIP) has been developed to build on the performance monitoring arrangements required by PSIAS and

progress will be reported annually to Audit Committee against key measures. The QAIP Framework 2019/20 is included at appendix one to this report.

3.15   The quality of audit work was actively managed in year through formal review by audit management. The achievement of quality standards enabled the Head of Audit and Risk Management to confirm that audit work was completed in conformance with PSIAS and this was reflected on audit reports issued. Individual audits had agreed clear plans and scopes; activity was reviewed and assessed for its effectiveness during and after completion of work; and customer feedback was sought and received on some work using questionnaires. Responses received were generally positive however response rates to customer questionnaires remained very low. Consideration is being given to how effective formal feedback and improved response rates can be secured.

Independence and Other Responsibilities

3.16   The Internal Audit Service is part of the Audit and Risk Management Division of Corporate Services and its role is defined in the IA Charter (Appendix Three) which also which also includes risk and resilience; health and safety; and insurance and claims services managed by the Head of Audit and Risk Management. The arrangements support effective collaboration between these teams on key risk areas and major programmes which in year has included Factory; Our Town Hall; health and social care integration; and aspects of information governance. The Internal Audit Service also works closely with other services across the Core including finance, legal, procurement, Human Resources and ICT. Whilst working collaboratively with colleagues, the Service retains its own identity and is managed day to day by the Audit Manager. Any audit work in respect of services for which the Head of Audit and Risk Management is also responsible is reported directly to the City Treasurer by the Audit Manager as needed. In the current year this was the Corporate Risk Governance audit. This was acknowledged as appropriate practice by the EQA 2017 and in the annual PSIAS self- assessment.

3.17   The Head of Audit and Risk Management reports directly to the City Treasurer but also has direct access to the Chief Executive, Executive Member for Finance, and Human Resources and the Chair of the Audit Committee. This helps ensure independence and allows for issues to be escalated should the need arise. There were no such requirements in 2018/19.

Role of the Audit Committee

3.18   The system of internal audit includes the role of the Audit Committee and in particular its role in reviewing and assessing the annual audit plan, the receipt and evaluation of audit assurance and considering where appropriate arrangements are in place for the delivery of an effective service.

3.19   The annual officer review of the Audit Committee terms of reference proposes changes to align with Public Sector Internal Audit Standards. This review has included feedback from the External Quality Assurance review; PSIAS self-

assessment and a review of Committee Terms of Reference used in other Core Cities. The refreshed terms of reference are provided at appendix three and subject to Audit Committee comments will be reviewed and confirmed as part of process of annual review of the constitution in May 2019.

3.20   Changes have been made to the presentation of the Terms of Reference to reflect the requirements of the PSIAS and more effectively highlight the purpose of the Audit Committee and then specific roles and activities which support it. While most of the content remains the same three additions have been made to clarify the arrangements in place specifically that the Committee:

- Provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit and Risk Management, including the opportunity to meet privately with the Chair;
- Consider any impairment to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit and Risk Management. To approve and periodically review safeguards to limit such impairments; and
- Receive the results of the Quality Assurance and Improvement Plan annually and the external quality assessment of internal audit that takes place at least once every five years.

3.21   Audit Committee discharged its role in considering findings and issues arising from audit reports thereby supporting an effective system of internal audit. The Committee has a defined work programme covering reports in respect of internal audit activity, external audit, risk management, governance and financial reporting. It includes a standing agenda item to receive assurance and updates from senior management and Executive Members. The Committee met seven times in the year and considered reports from the audit service and the responses from management as part of an assessment of progress and assurance. In the last twelve months this resulted in a number of specific reports being presented to Audit Committee from management and Executive Members on key areas of risk including ICT, Adults Services, Health and Social Care Assurance, Children's Services and Neighbourhoods (Events Management).

3.22   In discussing health and social care assurance and partnerships with Manchester Clinical Commissioning Group (MCCG) and Manchester Foundation Trust, the Audit Committee has committed to establishing closer liaison with MCCG Audit Committee and the Chair of that Committee has also attended Council Audit Committee meetings as an observer. A meeting to explore opportunities for further alignment and information sharing will take place in 2019/20.

3.23   The Committee has remained apolitical in its approach and includes two independent members. The Chair has pre-meetings with senior officers and affords an opportunity for Internal Audit to raise any concerns as appropriate.

3.24   Audit Committee have discussed their own development and as part of this engaged in two update and training courses in the year that covered the Role

of the Audit Committee; Role of Internal Audit; Treasury Management; Role of External Audit; and Annual Accounts.

4   Quality Assurance Improvement Programme.

4.1   A key requirement of the PSIAS is to maintain a Quality Assurance Improvement Plan (QAIP).

4.2   The service development and improvement actions arising from the internal review, External Quality Assessment (EQA) 2017 and feedback from SMT and Audit Committee are all included in the QAIP attached as appendix one. Positive action has been taken and a number of actions are now completed. The remaining actions will be addressed with the implementation and embedding of the new audit approach including processes defined in the new audit manual which has been developed and goes live April 2019 and will be monitored during the year. This includes implementation of a new assurance reporting format and a structured process for recording management reviews on audit work.

4.3   The Audit Charter which confirms Internal Audit's position within the Council and its reporting lines, authorisation of access to records, personnel and physical property relevant to the performance of audit work, and defines the scope of Internal Audit activities has been reviewed and updated. The Charter is re-presented at appendix one as part of the requirement for annual review and approval by Audit Committee.

4.4   A programme of development work across the audit functions in Manchester, Bolton Council and the GM Combined Authority was completed during the year. This involved engagement of all audit staff across the three organisations to examine and confirm core audit principles and methodologies including a new audit evaluation process and enhancement to the audit reporting arrangements seeking to increase efficiency.

4.5   A final version of the approach has now been finalised with audit teams. Implementation was delayed to April 2019 though some elements were already in place such as recommendation monitoring and escalation of risk process and the use of the audit planning templates to create the audit plan 2019/20.

4.6   The key changes which will be delivered from this development programme remain:

- A single set of simple quality and performance standards for onward reporting to senior management and Audit Committee.
- Development of assurance summaries for Heads of Service and Directors to support their assessment of sources of assurance, guide improvement actions and help inform internal audit planning.
- Refinement of the annual audit planning process, to ensure effective engagement of key stakeholders and timely approval of the annual plan.

- Refinement of the overall audit approach, to minimise elapsed time on audits and further enhance the efficiency of audit teams as well as enhancing and standardising quality assurance requirements.
- New reporting formats for audit assignments and for key stakeholders. This will include new Executive Summaries for all reports that will be provided to Executive Members and Audit Committee as part of regular reporting.
- Simplification of language and opinions used in reports to further aid understandings and transparency of audit reporting.
- Agreed areas and approach to develop collaborative working in key risk areas such as counter fraud; information governance and ICT; schools and academies; and procurement, commissioning and contracts.

7   Conclusions

7.1   The internal review of the effectiveness of the system of internal audit informed by the tool for self-assessment against PSIAS and follow up on key actions from the EQA action plan and integrated in the QAIP have not identified any additional issues which impact on the effectiveness of the Service.

7.2   Work continues to progress on development actions already identified to enhance efficiency and effectiveness and there are some areas where action will continue into 2019/20.

8   Recommendations

8.1   The Committee is requested to:

- Consider the level of assurance provided by the review of effectiveness and progress on management improvement actions from the QAIP 2018/19 and planned actions for 2019/20 (appendix one);
- Review and comment on the proposed refresh of the Audit Committee Terms of Reference (appendix two);
- Review and approve the Internal Audit Charter (appendix three).

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Appendix One   Quality Assurance Improvement Plan

Background

The Public Sector Internal Audit Standards (PSIAS) revised 2017 state that the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity (1300). For Manchester City Council the CAE role is discharged by the Head of Audit and Risk Management (HARM).

The QAIP is designed to ensure that the Council's internal audit service performs its work in accordance with its Charter in conformance with PSIAS and the Code of Ethics. It is also used to assess the efficiency and effectiveness of the internal audit service.

The key elements of the QAIP are to confirm:

- Audit activities are planned; resourced and delivered.
- Mechanisms ensure compliance with the PSIAS.
- Internal Audit adds value and provide quality outcomes in its work, supporting improvement to the Council's business operations.
- Regular internal assessment of performance and quality is undertaken.
- An external assessment of performance is commissioned at least every five years.
- Reporting arrangements for the QAIP and service improvement plans.
- How non-conformances with requirements should be addressed.

The Internal Audit service has a number of assurance processes in place to enable effective development and delivery of plans and identify areas for continuous improvement. The core principles for service delivery and improvement are also adopted for Counter Fraud activities though some of the specific operational requirements are different.

Quality Assurance Framework

This is the framework under which the Internal Audit Service carries out regular assessment of its conformance with PSIAS standards as required in the Quality Assurance Improvement Plan. Outcomes of assessments are reported to Audit Committee and consolidated in the Annual Review of the Effectiveness of Internal Audit. Details are provided in relevant templates for audit activities, reporting and post audit review.

Activity	Frequency	Role	Purpose
Audit Activities are planned, monitored and delivered – via Annual Audit Plan and monitoring reviews	Annually	Auditors, Leads and Audit Manager with HARM	Risk based audit assignment planning undertaken and agreed for coming year and work assigned accordingly
		SMT, S151 and Audit Committee input and approval	Confirm risk based assurance and consultancy plan has been authorised and is resourced accordingly
	Quarterly Delivery Progress reviews quarterly	Audit leads, Audit Manager and HARM, SMT, S151 and Audit Committee review and challenge	Confirm audit plan is being delivered and reported in line with expectations and priorities set for the coming period.
	Individual Audits monitored against assignment plans	Auditor, Lead Auditor and Audit Manager	Performance management

Activity	Frequency	Role	Purpose
Internal Audit Service Resourcing – via Annual Audit Plan, monitoring reviews, About You process and workforce development plan.	Annually Reviewed quarterly Assessed for each audit	Audit Manager and HARM HARM, S151 and Audit Committee	An analysis of the resources available to the audit service including skills and professional qualifications to enable an assessment of resourcing. Informs learning and development planning to meet any skills gaps and succession planning.
Audit Activities are managed and delivered – via regular management supervisions, quality assurance and sample check via audit checklist	On going for all assignments Monthly sample checks carried out for QA	Audit and Lead Auditor Audit Manager with summary reporting to HARM	Ensures that activities are managed in line with PSIAS and agreed audit processes and procedures. Remedial actions to be determined where necessary to addresses areas of concern Closure and confirmation of GDPR compliance
Post Audit Evaluation – via post audit reviews and use of PAE template	All audits: when reports are finalised and action plans agreed Monthly	Auditor and Lead Auditor Audit Manager to sample review and report in summary to HARM.	What went well; learning Monitoring KPIs for audit specifically against time, quality and cost.

Activity	Frequency	Role	Purpose
Customer Feedback – engagement / satisfaction questionnaires	All audits post audit (issue with Drafts)	Auditor to issue to senior client/s Audit Manager to review and summary report to HARM.	Feedback on value added and audit experience sought from customers to inform improvement plan and capture positive feedback
Audit Impact – via recommendation Monitoring schedule	At least quarterly.	Auditors, Leads and Audit Manager S151, Strategic Directors and Executive Member Audit Committee	All high risk critical, major and significant recommendations monitored to evaluate progress and implementation. Follow up activities carried out in line with risk based audit plans. Exceptions reported to SMT and Audit Committee
	At six and nine months past implementation due date	Strategic Directors, Executive Members and Audit Committee	Where recommendation implementation exceeds 6 months Strategic Directors and Executive Members are alerted to the ongoing exposure to risk and at nine months are required to attend Audit Committee to provide an update on actions being taking to address risks.
Annual IA Performance Reviews with key customers - via structured feedback	Annually	HARM and Audit Manager with Audit Committee, Directors and Heads of Service	Feedback on the performance of the audit service and assessment of value added to the control and governance of services and delivery of objectives

Activity	Frequency	Role	Purpose
Complaints and Compliments via corporate complaints process or internal feedback	Throughout the year	Reported to any auditor, lead and Audit Manager. Overseen by HARM. Escalated as required	Positive feedback shared with the relevant auditors and lead auditors. Complaints logged and investigated to ensure appropriate responses are provided. Reported in annual review of IA performance as appropriate.
IA Self-Assessment against PSIAS and Service Improvement Plans – via annual service self-assessment against the PSIAS standards	Annually	Audit Manager and HIA Approved by S151 Review by Audit Committee	To establish areas of strength and for improvement. Reported to the Audit Committee.
External Quality Assessment Against PSIAS – via external review	Five year review	External sourced HIA and S151	To confirm the IA conformance with PSIAS

Internal Assessment

In accordance with PSIAS Standard 1300, internal assessments are undertaken through both ongoing and periodic reviews.

On-going Reviews

Continual assessments will be conducted through:

- Management supervision of all engagements.
- Structured, documented review of working papers and draft reports by Internal Audit management.
- Agreed standard audit methodology used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards.
- Risk based management review and sign off of audit opinions, including by the HARM or Audit Manager based on risk.
- Feedback actively sought from audit clients.
- Monitoring and reporting of KPIs.
- Internal Post Audit Evaluations to assess learning from audit activities.
- About You reviews and team meetings held for review of work and wider contextual issues.
- Regular briefings attended by all members of the Internal Audit team led by HARM and Audit Manager as required.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the PSIAS Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Quarterly performance and assurance updates to SMT and Audit Committee.
- Risk assessment and planning with stakeholders in line with the Audit Strategy to inform development of the annual audit plan.
- Annual review of the Effectiveness of Internal Audit including review of compliance against PISAS and against the QAIP reported to the S151 officer and to Audit Committee.
- Annual appraisal of the HARM in line with 'senior management objectives review'.
- Skills and competency assessment informing service workforce development and learning and development plans

Any significant areas of non-compliance with the PSIAS will be reported in the Annual Review of Effectiveness.

External Assessments

External Quality Assessment (EQA) will appraise and provide an opinion on the function of the internal audit service in conformance with the PSIAS definition of Internal Auditing and the Code of Ethics. This will include recommendations for improvement where appropriate.

The review will be carried out at least every five years and in accordance with PSIAS the scope will be agreed with the S151 officer and Audit Committee and outcomes reported to them. The EQA of the service was last reported to Audit Committee following a review by Liverpool City Council in March 2017.

Any recommendations made will be considered as part of QAIP and the review of effectiveness and actions taken to address them reported back to the S151 officer and Audit Committee along with the opinion so that action can be monitored.

Development Actions

The key service development actions in support of the QAIP and current status were as follows:

Area for Development *(source)*	Improvement Action	Status
1. Performance measures for the service could be improved *(Self-Assessment and EQA)*	Core principles for the measurement of performance and meeting quality standards have been identified and specific measures have been agreed. KPIs have been included in the Business Plan and operational measures defined as part of the audit process review. Monitoring of KPIs will be reported as part of quarterly assurance reporting.	Complete
2. Executive Members notified of outstanding high risk audit recommendations *(Self-Assessment and EQA)*	This is now embedded as part of the audit reporting process to Audit Committee and was operational throughout 2018/19. It will continue as designed in 2019/20.	Complete

Area for Development (source)	Improvement Action	Status
3. Ensure Executive Members are provided with Audit Reports *(Audit Committee request)*	Original implementation was delayed as part of developing a common audit approach to be applied originally across Manchester as well as Bolton and the GM Combine Authority. GMCA are now developing their own in house service with Transport for Greater Manchester so work has progressed with Manchester and Bolton only

A new content, format and distribution process for Audit Assignment and Summary reports has now been developed. This involves a common audit approach for Manchester and Bolton Council including changes to the audit opinion levels; impact assessments and new action plan summaries.

The new process will include executive summaries from audit reports to be shared with Executive Members.   Feedback on this approach will be sought. | From April 2019 |
| 4. Update Internal Audit Charter to reflect new PSIAS Standards *(Self-Assessment and EQA)* | The refresh of the IA Charter is carried out annually
The IA Charter 2019 is at appendix three. | Complete |
| 5. Development of a Quality Assurance Improvement Programme (QAIP) *(Self-Assessment and EQA)* | This document comprises the QAIP | Complete |

Area for Development *(source)*	Improvement Action	Status
6. Recording of Continuing Professional Development (CPD) for all IA staff *(EQA)* and Skills Assessments	Business Plan include a Workforce Development Strategy and a learning and development plan in place for the service and is updated regularly, to reflect "About You" discussions and support individual personal development planning. Internal assurance arrangements to be strengthened to ensure consistent application of About You across Service. The requirement to record all CPD is included in "Quality, Ethics and Standards" section of the revised audit approach and all staff are regularly reminded of personal responsibility to comply with relevant professional body requirement for keeping adequate CPD records and this is reviewed at About You sessions in line with Council policy. Process for capturing skills/ competencies across service and plans to address any agreed gaps to be agreed. To be done alongside workplan for new service-wide Workforce Development Group. These actions address partially met assessments against Standards 1210 Proficiency and 1230 Continuing Professional Development	Partially Complete October 2019
7. A formal audit of risk management arrangements has not been completed in the last three years (EQA)	An audit of risk management was included in Annual Audit Plan for 2018/19 and the scope was to provide a corporate view of risk management arrangements within the Council. A draft report was issued to the Deputy Chief Executive and City Treasurer and other stakeholders for comment in March 2019 and will be concluded in line with standard audit processes. To note that to maintain independence of Internal Audit, the Head of Audit and Risk Management did not have any role in oversight of conduct of this audit.	Complete

Area for Development (source)	Improvement Action	Status
8. Documentation of fraud risk, value for money and IT risk at the scoping stage of audits. (EQA)	Auditors have been reminded of the need to consider these risks and issues as part of the audit planning process and to capture this in working papers. This requirement is confirmed in the revised "Assignment Planning" process and has been included in the new audit manual. Consideration of these risks and issues was used as part of the process for developing the 2019/20 audit plan.	Complete March 2019
9. Some inconsistencies were noted in documenting evidence of management review. (EQA)	A standardised management review process is included in refreshed "Fieldwork" process and will be implemented for new audit work from 2019/20. In year action was taken to remind auditors to ensure that review points are retained in audit working papers and audit trails retained.	Complete March 2019
10. Need to refresh the Audit Manual to reflect the Standards. (EQA)	A new agreed audit manual includes reference to the PSIAS standards and will be formally launched in April 2019 for use on the 2019/20 audit programme.	Complete March 2019
11. Engagement results (reports) do not include narrative regarding the limitations on distribution. (EQA)	This action was focuses on confirming that reports were not for broader disclosure. This is not considered a particular risk and rather than add further administrative narrative to reports, the revised templates for reporting do not therefore propose to include any reference to Freedom of Information or other limits on wider disclosure.	Not applicable
12. NEW Service Structure Review	Carry out a review and implementation of new service structure for the Internal Audit Service.	October 2019
13. NEW Implement refreshed Customer Satisfaction Assessment process (self-assessment)	Structured interviews with key stakeholders to seek feedback Develop a google questionnaire for issue to customers as part of the draft reporting process.	To confirm approach by end May 2019

Area for Development *(source)*	Improvement Action	Status
14. 14. NEW Refresh quarterly assurance update report for senior managers at DMTs. (self-assessment)	Confirm consistent report format for quarterly reporting in line with new Key Performance Indicators and progress reporting	In progress Target June 2019
15. NEW Enhance process to ensure that retention and destruction processes are complied with for hard copy and electronic records (self-assessment)	Confirm policy on retention and destruction with all staff following reissue in audit manual Confirm that there is compliance with new checklist actions, within new audit manual, on audits which include requirement for post audit review and clear-down of documents held. Confirm internal operational reporting mechanism to senior management.	In progress Target June 2019
16. NEW Review, update and implement a streamlined audit approach.	Common audit approach (Manchester and Bolton) 95% complete. Applied in part for audit planning 2019/20 For launch for delivery of 2019/20 audit plan New approach and reporting formats includes action to ensure compliance with Standard 2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing' New approach and planning addresses requirement under Standard 2030 Resource Management: Does the risk-based plan explain how internal audit's resource requirements have been assessed?	Go live from April 2019 and 3 month review by end June 2019

Area for Development *(source)*	Improvement Action	Status
17. NEW Agree approach and system/s for document recording, retention, time recording and performance reporting - audit management system.	Options appraisal to be completed by Audit Manager to HARM to inform next steps	End April 2019
18. NEW Confirm an internal quality assurance review process supporting new processes and to inform assessment of PSIAS conformance.	Assurance principles and processes set out in audit manual to be applied for 2019/20 audits and assessed as part of three month review.	Go live from April 2019 and 3 month review by end June 2019

Review of the QAIP

The QAIP will be reviewed and updated appropriately as required following any changes to the standards or to the Internal Audit services own procedures. This review will be carried out at least annually and confirmed with the S151 officer and reported to Audit Committee as a result.

Appendix Two - Audit Committee Terms of Reference

Proposed Revision April 2019

Purpose

The main purpose of the Committee is to obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

Governance

Review the Council's corporate governance arrangements including consideration of the Code of Corporate Governance.

Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Review the governance and assurance arrangements for significant partnerships or collaborations, including the Register of Significant Partnerships

To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Strategy and Policy; and the Corporate Risk Register.

Review the assessment of fraud risks and potential harm to the Council from fraud and corruption including oversight of key anti-fraud policies and monitoring of the counter-fraud strategy.

To make recommendations to the Chief Finance Officer and Monitoring Officer in respect of Part 5 of the Council's Constitution (Financial Regulations).

Financial Reporting

Review and approval of the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts and monitor the Council's response to individual issues of concern identified.

Approve the Council's Statement of Accounts and associated governance and accounting policy documents in accordance with the Accounts and Audit Regulations 2015.

External Audit

Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).

Consider the external auditor's annual audit plan, annual audit letter, relevant reports and the report to those charged with governance.

Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Internal Audit

Oversee and provide assurance to the Council on the provision of an effective internal audit service and the main issues arising from Internal Audit work. In particular undertake the duties of the Board as set out in Public Sector Internal Audit Standards (PSIAS) as follows:

- Approve the Internal Audit Charter

- Approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

- Receive confirmation from the Head of Audit and Risk Management with regard to the organisational independence of the internal audit activity and make appropriate enquiries of management and the Head of Audit and Risk Management to determine whether there are inappropriate scope or resource limitations.

- Provide free and unfettered access to the Audit Committee Chair for the Head of Audit and Risk Management, including the opportunity for a private meeting with the Committee.

- Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Audit and Risk Management. To approve and periodically review safeguards to limit such impairments.

- Receive the results of the Quality Assurance and Improvement Plan annually and the external quality assessment of internal audit that takes place at least once every five years.

- Receive communications from the Head of Audit and Risk Management on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. To include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the Committee.

- Consider the Head of Audit and Risk Management's annual opinion and report.
- Seek assurance on the adequacy of management response to internal audit advice, findings and recommendations in the form of implementation of agreed action plans

Treasury Management

To monitor the performance of the Treasury Management function including:

- approval of / amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations; and
- approving the selection of external service providers and agreeing terms of appointment.

Current Audit Committee Terms of Reference as Constitution (Constitution Dated October 2018

1. To consider and approve the authority's statement of accounts, including the Annual Governance Statement in accordance with the Accounts and Audit Regulations 2015.
2. To consider, as soon as reasonably practicable, the annual letter from the external auditor in accordance with the Accounts and Audit Regulations 2015 and to monitor the Council's response to individual issues of concern identified.
3. To consider the findings of the Council's annual review of the effectiveness of its system of internal control under the Accounts and Audit Regulations 2015, including the effectiveness of its system of internal audit.
4. In furtherance of the Council's duty to make arrangements for the proper administration of its financial affairs and the Committee's responsibilities under the Accounts and Audit Regulations 2015 set out above:

    4.1. To obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
    4.2. To review and approve (but not direct) the terms of reference for internal audit and an Internal Audit Strategy.
    4.3. To review and approve (but not direct) the internal annual audit programme considering the effectiveness of proposed and actual coverage in providing adequate assurance over the Council's arrangements for governance, risk management and system of internal control.
    4.4. To monitor the implementation and outcomes of the Council's internal audit programme and where required, to review summary and individual audit reports with significant implications for financial management and internal control.
    4.5. To seek assurance on the adequacy of management response to internal audit advice, findings and recommendations in the form of implementation of agreed action plans.
    4.6. To receive the Annual Report of the Head of Internal Audit.
    4.7. To consider the external auditor's annual letter, relevant reports and the annual report to those charged with governance on issues arising from the audit of the Statement of Accounts.
    4.8. To engage with the external auditor and external inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.
    4.9. To make recommendations to the Chief Finance Officer and Monitoring Officer in respect of Part 5 of the Council's Constitution (Financial Regulations).
    4.10. To consider the Code of Corporate Governance.
    4.11. To monitor the performance of the Treasury Management function including:

        • approval of / amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices

- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

4.12. To consider and advise the Council on the Annual Governance Statement.

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Appendix Three - Internal Audit Charter 2019

1. Introduction

This charter establishes the framework within which Manchester City Council's Internal Audit Service operates to best serve the Council and to meet its professional obligations under applicable professional standards.

The charter defines the purpose, authority and responsibility of internal audit activity, establishes the Internal Audit Service's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

It will be subject to periodic review by the Head of Audit and Risk Management (as the Chief Audit Executive) and presented to the Council's Senior Management and Audit Committee for approval.

Where the Internal Audit Service provides the internal audit function for other organisations external to the Council the purpose, authority and responsibility of internal audit activity for those organisations is set out in separate charters for those organisations.

2. Relevant regulations and interpretation

The requirement for an internal audit function in local government is set out in the Accounts and Audit Regulations 2015 ('the Regulations').

"Internal audit: A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance." Regulation 5. (1) Accounts and Audit Regulations 2015.

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the relevant standard setter for internal audit in local government in the United Kingdom. CIPFA has published Public Sector Internal Audit Standards ('PSIAS'), which encompass the Mission of Internal Audit and the mandatory elements of the Global Institute of Internal Auditors' International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing).These documents are therefore mandatory for internal audit in local government in the United Kingdom, and they are supplemented within PSIAS by additional public sector interpretation and guidance. CIPFA has also published a Local Government Advisory Note setting out sector-specific requirements for local government within the United Kingdom.

The Council Internal Audit Service operates in accordance with this mandatory definition, code, standards and advice.

Section 151 of the Local Government Act 1972 states that every local authority in England and Wales should "make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the

administration of those affairs". In its Statement on the Role of the Chief Financial Officer in Local Government CIPFA has defined 'proper administration' as including compliance with the statutory requirements for accounting and internal audit. It also requires the director of financial resources to ensure an effective internal audit function is resourced and maintained.

3.   Definitions

Both the Global Institute of Internal Auditors and PSIAS set out the following definition of internal auditing:
"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Global Institute of Internal Auditors, and Public Sector Internal Audit Standards, 2017

The Global Institute of Internal Auditors and PSIAS also refer to the 'board' and 'senior management' and PSIAS recognise that these terms need to be interpreted in the context of the Council's own governance arrangements.
PSIAS define the board as:

"The highest level of governing body charged with the responsibility to direct and/ or oversee the activities and management of the organisation. […] 'Board' may refer to an audit committee to which the governing body has delegated certain functions."

Public Sector Internal Audit Standards, 2017

Within Manchester City Council the board is defined as the Audit Committee and senior management is defined as the Council's Senior Management Team ("SMT").

4.   Responsibilities

The Regulations set out that the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk. The scope of internal audit's work includes:

- Systems, processes, policies, plans and procedures;
- Use and safeguarding of resources and assets, including data;
- Governance and risk management processes;
- Commissioning and procurement;
- Projects and programmes; and
- Counter Fraud, including investigation of allegations of fraud and corruption.

It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. PSIAS make clear that the provision of this assurance is

internal audit's primary role and that this requires the Head of Audit and Risk Management to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.

This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for the organisation as a whole. The scope of internal audit's work therefore encompasses all of the Council's functions and services and all of its activities.

The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However, the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control. They will also contribute to the overall assurance opinion.

Accountability for responses to Internal Audit advice and recommendations for action lies with senior management who either accept and implement advice or accept the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.

The Head of Audit and Risk Management will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with PSIAS and the results of the quality assurance and improvement programme (QAIP).

The Internal Audit Service's responsibilities are set out in PSIAS, and these are supported by detailed operational policies and procedures that are regularly reviewed and updated as necessary.

5.   Independence and objectivity

The PSIAS define independence as "freedom from conditions that threaten the ability of the Internal Audit Service to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of the Council, the Head of Audit and Risk Management holds a sufficiently senior position.

The Internal Audit Service remains independent of the Council's other functions and, with the exception of its support to management in relation to counter fraud and investigatory work, no member of the Internal Audit Service has any executive or operational responsibilities. Auditors are expected to deploy impartial and objective professional judgement in all their work, whether on audit work or investigations.

The Internal Audit Service's work programme and priorities are determined in consultation with 'management' and 'the Board', but remain a decision for the Head of Audit and Risk Management. The Head of Audit and Risk Management has direct access to and freedom to report in his own name and without fear or favour. He has opportunity to meet with the Chair of the Audit Committee at any time.

The independence of the Head of Audit and Risk Management is further safeguarded by ensuring that his remuneration and performance assessment are not inappropriately influenced by those subject to audit.

All auditors make an annual declaration of their interests and update this during the year as necessary, and where any auditor has a real or perceived conflict of interest this is managed to maintain the operational independence of the service as a whole. If independence or objectivity are impaired in fact or appearance, then the nature of the impairment is disclosed as appropriate. The Head of Audit and Risk Management makes an annual declaration that the internal audit function is operationally independent.

6.   Reporting lines and relationships

The Head of Audit and Risk Management reports the performance and outcomes of audit work to 'management' and 'the board' and reports organisationally to the City Treasurer.

The Head of Audit and Risk Management has access to all 'management' including the Monitoring Officer and Chief Executive.

The Head of Audit and Risk Management has regular access to the chair of the Audit Committee and reports to their meetings as set out in the Committee terms of reference.

SMT and the Audit Committee are responsible for approving the annual audit plan.

The Head of Audit and Risk Management, the Internal Audit Service as a whole, and the Council adhere to the requirements of CIPFA's Statement on the Role of the Head of Internal Audit.

The Internal Audit Service and the external auditor liaise on the planning and outcomes of respective audit work to share assurance opinions and avoid the duplication of work.

7.   Access to information

The Internal Audit Service has the right of unrestricted and direct access to the Council's records (however held), assets, premises and officers. In entering into partnership arrangements with external organisations the council ensures that the same rights of audit access apply to partners' records, assets, premises and officers. The Internal Audit Service has the authority to obtain all such information and explanations as it considers necessary to fulfil its responsibilities.

Internal auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the Council's legitimate and ethical objectives.

8.   Internal Audit Resources

The Council has taken the strategic decision to provide its internal audit service largely in-house and is committed to providing a service that meets the best quality standards. However, the Head of Audit and Risk Management and Council has decided that, to meet the requirement that assignments are performed with proficiency and due professional care, it will obtain additional support where specialist knowledge is required. All such work remains under the direction and authority of the Head of Audit and Risk Management.

The City Treasurer ensures that internal audit resources are sufficient to meet its responsibilities and achieve its objectives. If the Head of Audit and Risk Management or the Audit Committee considers that the level of audit resources in any way limits the scope of internal audit, or prejudices the ability of the Internal Audit Service to deliver a service consistent with its statutory and related requirements, they will advise the Council accordingly.

Nonetheless, the Internal Audit Service has finite resources and its workforce is therefore deployed to meet an annual audit plan that pays regard to the relative risks accepted, and levels of assurance required, by the Council.

The Council performance and development process is applicable to all staff within the Internal Audit Service, which supports continuous staff performance appraisal and development.

9.   Quality Assurance and Improvement

The Head of Audit and Risk Management operates a quality assurance and improvement programme (QAIP) that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit Service's compliance with PSIAS. This includes both internal and external assessments.

The results of the quality assurance and improvement programme including any areas of non-conformance with PSIAS are reported annually to SMT and the Audit Committee.

10.   Non-audit work: Investigations and counter-fraud services

PSIAS recognise that the Internal Audit Service may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services or assistance with the investigation of suspected fraud or corruption. Such services apply the professional skills of internal audit and contribute to the overall assurance opinion.

The Internal Audit Service manages the Council's whistle-blowing arrangements including provision of a helpline and, where appropriate investigates instances of suspected or actual fraud, corruption or impropriety. It also facilitates participation in the National Fraud Initiative, which matches data from Council information systems with information held by other bodies to identify potentially fraudulent activity.

The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

The Head of Audit and Risk Management should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for his opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

11.   Non-audit Work: Risk, Insurance and Health and Safety

The Head of Audit and Risk Management is responsible for the leadership and management of the Council's Risk and Resilience, Insurance and Claims; and Health and Safety Services. To avoid actual, potential or perceived conflicts of interest, planned audit activity in these areas is led by the Audit Manager and reported to the City Treasurer, SMT and Audit Committee without any oversight or influence by the Head of Audit and Risk Management.

Manchester City Council
Report for Information

Report to: Audit Committee - 15 April 2019

Subject: Head of Audit and Risk Management Annual Assurance Opinion and Report

Report of: 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. In accordance with Public Sector Internal Audit Standard 2450 this work is required to culminate in "an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control."

This report provides Members with the Head of Audit and Risk Management's annual assurance opinion and report on the Council's system of governance, risk management and internal control.

Recommendations

The Committee is requested to consider and comment on the Head of Audit and Risk Management Annual Assurance Opinion and Report

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Wards Affected: All

Contact Officers:

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Name: Tom Powell
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Background documents (available for public inspection):

Documents used in the development of the assurance report include:
• Internal Audit Plan 2018/19

- Internal Audit Quarterly Assurance progress reports 2018/19
- Internal Audit Review of Effectiveness 2018/19

1.   Introduction

1.1   This report provides the annual opinion of the Head of Audit and Risk Management's with a summary outturn of the work of the Internal Audit Section for the 12 months April 2018 to March 2019. Update reports on progress including assurance opinions have been provided to Audit Committee during the year.

2.   Overall Opinion

2.1   The Head of Audit and Risk Management can provide **moderate** assurance that the Council's governance, risk and control framework is generally sound and operated reasonably consistently. This is the same opinion as issued in the previous two years. The opinion reflects that overall governance, financial management arrangements and core systems and processes within the Council remain generally sound and there are notable strengths in some areas, whilst acknowledging that there have been issues identified as result of audit work and an assessment of other sources of assurance where appropriate. The key governance, risk and internal control strengths and issues of which the Head of Audit and Risk Management was made aware during the year which impact on the overall opinion are described below.

Context

2.2   The Council operates in a complex and evolving environment with changes in local government and across the City and Greater Manchester impacting on policies and operations in a number of areas. Innovation and reform continues apace with significant programmes of transformation underway which are complex and wide reaching in a number of areas.

2.3   2018/19 was also a year of significant leadership changes with the departure of the departure of two Deputy Chief Executives and a number of other chief and senior officers. This has resulted in reconfiguration of the Strategic Management Team and of roles within the Senior Leadership Group. Recruitment to leadership posts in ICT and HROD are planned for early 2019/10.

2.4   The financial savings requirements of a reduced budget remain a critical challenge across the public services and the Council has been hit particularly hard in this regard. The impact of budget reductions is being managed through robust governance and financial management arrangements but the implications of a substantial reduction in Council resources and capacity over a number of years remains an ongoing area of inherent risk to the achievement of Council's ambitions and key priorities.

Strengths

2.5   Whislt audit work has identified and confirmed issues and areas for improvement, there are a range of core strengths that have remained and been further developed in 2018/19. These are reflected in the Annual

Governance Statement and in other reports but key strengths from a governance, risk and control perspective include the following.

2.6 The Council's objectives and priorities are set through a defined process which remains robust. They are aligned with the strategic aims set out in the Our Manchester strategy and are underpinned by a clear programme of staff engagement and communications to ensure that all staff understand their contribution and are supported and developed through the Our People approach. Robust processes link these priorities with business objectives, budgets and workforce planning and are governed by timely and appropriate layers of officer and Member challenge and scrutiny. These arrangements have been further enhanced with the publication of Our Corporate Plan in 2019/20 which clearly articulates the seven key Council priorities for the next 2-3years and the implementation of a consistent approach to senior officer objective setting and review.

2.7 Performance is monitored and reported through clear framework of officer and Member governance arrangements including defined structures, decision making responsibility, oversight and scrutiny that are used to highlight areas of strength and areas for further development, investment or disinvestment. This provides early warning of key risks for example through a process of robust, timely budget monitoring. Arrangements are clearly codified through the Code of Governance and assessed through a well-embedded and comprehensive process for developing the Annual Governance Statement.

2.8 The Council remains well placed to respond to risks and has an active risk management process to support management in identifying and mitigating those risks. Work to strengthen and embed risk management processes was found to be positive though there remains further work to ensure consistency across the organisation. The scale and pace of transformation and change continues to be an inherent risk to the control environment and needs to be effectively monitored and managed.

2.9 Positive action continues to be taken to sustain improvements noted from the Children's Services Ofsted resinspection in 2017 and this has reduced exposure to risk in a number of areas, whilst it is ackendlged that work is still progressing and financial pressures remain. Improvement is overseen by strong governance arrangements that engage officers, Members and key partners. Similar arrangements have been established to support the Adults Improvement Plan in 2019/20. There has been further development of integration and partnership governance across Manchester Health and Care Commissioning (MHCC) and Manchester Local Care Organisation (MLCO) to support the ambition of a system wide approach to health and care.

2.10 In addition to health and social care, significant, ambitious developments across the Council continued in key areas including of the Our Town Hall and Factory projects; strategic development, housing and regeneration projects; highways investment; and the improvement and development of strengthened approaches to children's and adults social care including the development of the new Liquid Logic system. As in previous years much of this requires

collaboration with colleagues within the Council and with partners as well as effective business and budget planning and control in order to meet the ambitious objectives for the City. There were no new and significant issues raised in these areas however there is a need to ensure that the Council remains agile and able to monitor and manage inherent risks across this ambitious agenda to ensure that goals and objectives can be met.

2.11   Progress in ICT security, aspects of ICT resilience, delivery of a number of ICT projects and programmes as well as steps taken to improve information governance arrangements in line with the requirements of the General Data Protection Regulations have been positive. There are clear governance and risk management arrangements in these areas to support in the delivery of objectives. Business continuity planning has been further strengthened with the development plans to adapt to the loss of people, premises or systems; and the Council has responded positively and proactively to incidents that have occurred during the year.

2.12   There remains strong senior leadership ambition with a clear focus on key priorities, however there is a need to ensure capability, capacity and continuity to fully support the breadth of current and planned activity, particularly given a number of senior officer changes in the year. To date the response has included reconfiguration of the Strategic Management Team (SMT) and strengthened Senior Leadership Group arrangements. Change provides opportunities for review and realignment of responsibilities and this will be critical to ensure that progress against priorities is sustained. Bheard surveys and wider workforce engagement has been applied in the further development of workforce planning and ways of working that have been underpinned by a comprehensive programme of staff engagement and communications. The risks inherent in change at senior management level and in ensuring a motivated, engaged workforce at all levels of seniority are understood and are reflected in ongoing leadership and management activities.

2.13   Core financial systems remain robust with a comprehensive integrated budget and business planning process that is subject to high levels of challenge, review and scrutiny. The budget is underpinned by detailed scenario planning considering the impact of potential changes in income streams including Council Tax and Business Rates as well as wider demographic, inflationary and service pressures. This enables prudent, focused investment in areas that support the delivery of key Council priorities.

Issues Arising from Audit Work

2.14   Limited and No assurance opinions have been issued where there are significant concerns about the system of internal control or an absence of controls which could put the process or system objectives at risk and urgent improvement is needed.

2.15   In the year Internal Audit issued 10 limited assurance opinions which was two more than in 2017/18 as shown in the summary below. The audit of

framework contracts in 2018/19 however resulted in four published reports, three of which provided only limited assurance. If this overall framework contract review was treated as a single audit, then the number of limited opinions in 2018/19 is the same as in the previous two years. This suggests that whilst challenges remain there has been no material weakening of the overall governance, risk management and control environment.

2.16

Limited or No Assurance Opinions		
2018/19	**2017/18**	**2016/17**
Adults: Management Oversight and Supervision	Adults: Transition to Adulthood	Adults: Independent Living Fund
Adults: Mental Health Casework Compliance	Adults: Contract Management: Homecare	Childrens: Foster Care Payments
Adults, Childrens and ICT: Liquidlogic and ContrOCC (Data Migration and User Acceptance Testing)	Adults: Disability Supported Accommodation Services, Quality Assurance Framework	Childrens: North West Foster Care Framework – Contract Monitoring
Childrens: MASH Follow Up Audit	Adults: Client Financial Services Appointee Support - Cash Delivery	Childrens: Management Assurance over Casework Management – Supervisions
Childrens: Early Years 30 Hours Funding	Childrens: MASH Compliance Audit	Schools: Attendance Data: Thematic Audit
Contracts: Insurance Arrangements	Contracts: Contract Creation and Formalisation	Schools: Cash Handling: Thematic Audit
Contracts: Whistleblowing Arrangements	ICT : Mobile Connections – Data Analysis	Neighbourhoods: Christmas Markets – Financial and Management Overview
Contracts: Frameworks Contract Governance – Overall Report	ICT: Disaster Recovery	Neighbourhoods: Highways Maintenance Review (*No Assurance*)
Contracts: Highways Framework		
Contracts: Taxi Framework		

2.17   Limited and No assurance opinions included some audits impacting on a number of directorates as they are cross cutting, for example in respect of framework contracts and the Liquid Logic data migration and user acceptance testing. Where audit work identified areas for improvement Internal Audit made recommendations to address the risk or provided advice and guidance to enable managers to make changes to processes or policies. The recommendations in limited opinion reports are designated as critical or major

to reflect the level of risk and agreed action plans are regularly monitored by management and Internal Audit. Progress to implementation was reported to Executive Members and Audit Committee on a regular basis to offer scrutiny and challenge with senior officers required to attend Audit Committee to ensure timely and appropriate responses were proposed and undertaken. Attendance in the year has included updates on children's services, health and social care assurance; contract management; adults improvement; and events management.

Adult Services and Public Health

2.18   Concerns in relation to the effectiveness of the system of internal control across Adult Services were raised in the year. These included time taken to complete actions originally agreed in response to limited assurance opinions issued in 2017/18. The Director of Adult Services has developed an Improvement Plan to address critical areas of risk. This followed from a Directorate self-assessment of strengths and weaknesses and was also informed by the four limited audit opinions reported in 2017/18 and a further two limited opinions in 2018/19 relating to Management Oversight and Supervisions and Mental Health Casework Compliance. The supervisions audit highlighted that the approach to supervisions was leading to inconsistency including frequency of supervisions, record keeping, training and monitoring arrangements and the Mental Health audit noted concerns around timeliness; record-keeping; management oversight; and reporting.

2.19   Progress on addressing solutions to identified concerns was monitored by the Director of Adult Services, SMT, Executive Member, Scrutiny Committees and Audit Committee in year and the Improvement Plan is the mechanism in which actions have been identified and prioritised for the coming year.   For Transition to Adulthood objectives these include to re-develop the vision and strategy for delivery encouraging coordination across a number of Council services and in Homecare Services a new approach has been developed and contract is being procured which will enable a new framework for management of delivery and payments to be put into place. Internal Audit is satisfied that the risks are recognised and that there is an active strategy in place including enhanced senior management roles to support implementation of the service improvement plan however there is significant work to do to deliver on the transformation change required and this will be monitored in year.

2.20   A limited assurance opinion was issued in respect of the Liquid Logic project which is to replace the adults and children's social care casework and finance systems. This is major priority project and as well as technology change it has significant change management elements as the approach to casework management, recording and reporting will also change to reflect new processes designed into systems. The audit assurance focused on user acceptance testing and data migration and concurred with the view from the project that the proposed timescale for go-live presented significant risks and supported the decision from the Project Board to delay until the summer. The risks inherent with this project are well understood at senior level and are

additional resources and senior management oversight have been applied to help ensure a successful go live in 2019/20.

Highways

2.21   Progress has been made in response to concerns first raised in 2017 in respect of highways maintenance and subsequent areas for improvement identified across the Highways Service. The service leadership and management team recognise there remains more to do to further embed consistent approaches to quality assurance, procurement, contract management and delivery and these are dependent on a range of improvement activities being supported through an Improvement Plan and Improvement Board chaired by the Director of Neighbourhoods.

2.22   The completion of these actions including implementation of a service redesign and upgraded ICT systems will help the service to respond effectively to the scale of challenges and the opportunities presented by unprecedented capital investment allocated for highways improvement.

Contract Management and Monitoring

2.23   A number of audits and investigations during 2017/18 and 2018/19 confirmed the need to continue to work toward implementation of new procurement and contract management arrangements across the Council. Whilst there are significant areas of positive and best practice this remains inconsistent as reflected in audit findings and reports and management recognise that there is further work to do. To support this process of change, audits were carried out and proposals for improvement made. Limited opinions were issued for five areas which have crosscutting implications:

- Contractor Insurance Arrangements
- Contractor Whistleblowing Arrangements
- Framework Contracts Governance
- Framework Contract: Taxis
- Framework Contract: Highways

2.24   Internal Audit is confident that the need for improvement is well understood and consider that management proposals and current actions underway are appropriate to seek to strengthen the control environment and build on work already done to improve compliance and consistency. Positive actions in 2019/20 include the development of a contract register, risk assessment of contracts, development and promotion of good practice standards and training and awareness for contracts officers across all directorates. This work, alongside the expertise provided by the Corporate Procurement Team, has been positive but there is more work to do to embed a consistent high quality of approach across all services. This was reflected in a report to Audit Committee by the Head of Integrated Commissioning in November 2018. The new Head of Integrated Commissioning and Corporate Procurement will take this work forward in 2019/20.

3   Audit Plan Delivery

3.1   Assurance activity and counter fraud work inform the audit opinion. The following table provides a summary of audit work in 2018/19 based on the approved audit plan and amendments agreed in the year. These included changes to timing of some work and the addition of opinion or other assurance work. Outputs include audit reports, management letters and advice and guidance as well as support to management on service improvement. Details of Counter Fraud activity will be provided in the Annual Fraud Report in July 2019.

3.2   The analysis excludes most of the general advice and guidance provided to the business and involvement in working groups and projects as these are not captured in formal reports. Figures include completion of brought forward work as agreed with managers. The outcomes of audit work were shared with senior officers and Audit Committee during the year and a summary of key assurance is provided at section 4 below.

3.3   The approved Annual Audit Plan was substantially completed by the end of March with carry forward anticipated into the early part of 2019/20 to finalise work which is planned and started in March. A full outturn will be reported to Audit Committee in July 2019.

Audit Status	Audit Plan Outputs	Additional and Contingency Items
Final Report Issued	72	3
Draft Report Issued	15	
Fieldwork Completed	9	
Fieldwork Started	8	
Planned	5	
Total	**109**	**3**
Cancelled / Deferred	8	

3.4   Draft reports are awaiting management responses and then will be issued as final with management action plans. Some audit scopes were reviewed and planned outputs merged where there was a reassessment of the audit approach since the approval of the original plan. For example, the audit of Risk Management was delivered as a cross cutting review but with a single consolidated report rather than a series of directorate level reports as was the original proposal when the plan was developed in March 2018.

3.5   Cancelled and deferred work was reviewed and agreed with management and Audit Committee in year. Requests for change were largely due to timescale changes; changing assessment of risk and addition of new work; or because assurance had been obtained from another source. The deferred /cancelled audits were:

- Manchester Support for Independent Living; Public Contracts Regulations Compliance; Recruitment and Selection and Special Education Needs deferred and included as quarter one activity within the 2019/20 Annual Audit Plan.
- Data Retention and Disposal was incorporated in an audit of General Data Protection Regulations Post Implementation
- Software Licensing Follow Up which was deferred to 2019/20 to enable testing to take place following the implementation of recommendations
- Grant Certifications which were no longer required for Highways Local Pinch Point and Highways Challenge Grant.

3.6   Audit outcomes were confirmed to Audit Committee as part of quarterly reporting and a full outturn report will be provided in July 2019. At this stage there are a number of audits at planning stage which is due to the need to reconfirm plans with clients and reassessment of scope and timing where other means of gaining assurance may be available.

3.7   The sections below describe assurance and consultancy outcomes in delivery of the annual audit plan. The status of all work is shown at Appendix One.

4   Children and Families

Children's Services

4.1   Children's Services worked to embed agreed service improvement activities across a range of service areas as the improvement journey from the 2014 Ofsted inspection and improved judgement in December 2017 continued. Improvement actions continued to be overseen through officer and Member governance arrangements and are integrated in core service plans as well as the Children and Young People Plan (CYPP).

4.2   In order to effectively contribute to the delivery of the priorities set out in the CYPP Plan, during 2018 the directorate structure and approach was 're-shaped and refined' to maximise leadership and management capacity to strengthen practice, partnership working and promote a strengths based approach with the aim of reducing unnecessary demand and improving the lives of children and young people. This more integrated approach has been reflected in the Children and Education Services Directorate Plan, "Delivering Excellence, Getting to Good" which confirms the seven key priorities for the service moving forward.

4.3   From Internal Audit work there was moderate assurance over the arrangements in place to ensure sufficient and appropriate supervision and management oversight arrangements for social care casework. The opinion was based on the level of compliance with the agreed supervision policy in a number of key areas. While there was evidence of understanding the need for supervision and social workers and managers did review casework there was a need to strengthen the evidence supporting those reviews and ensuring consistency. The audit highlighted the need to ensure greater levels of adherence to the supervision policy including frequency of supervision

meetings; consistent and complete recording of case actions and development actions and the need to ensure effective management review of compliance and quality of supervision across teams. To support this action should be taken to improve supervision training which would encourage learning and enable processes to be embedded. The introduction of Liquid Logic and associated practice standards is one of the factors that is anticipated to drive further improvements in compliance in 2019/20. Given issues raised in this report and in particular lower levels of compliance in particular areas of the service, Internal audit undertook additional testing to add further insight and analysis for the Director and will undertake focused follow up testing in 2019/20 with the aim of providing improved assurance following the completion of management improvement actions

4.4   Follow up on risks noted in a compliance audit on the Multi Agency Safeguarding Hub (MASH) in 2017/18 was undertaken with the aim of confirming actions had been taken in response to the limited assurance opinion. This testing identified that whilst some actions had been taken these were only partially complete and a further limited assurance opinion was issued to confirm steps still required to ensure risks were addressed. As reported to Audit Committee in quarterly audit recommendation monitoring reports these actions were addressed by the end of the year and this provided a higher level of assurance over controls in place to report overall timeliness of the process and associated reporting; recording of consent; and available guidance and procedures for staff working across the Hub.

4.5   Alongside other support services across the Core, Internal Audit provided advice and support for the implementation of the Leaving Care service following the transfer of service back into the Council from Barnardo's in October 2018. Advice was provided for financial governance and control including cash handling as well as logistics and building arrangements. A number of areas of concern including security and within financial control operations were raised and support has been provided to a working group who are addressing service need and taking action to address risk. The appointment of new senior managers to manage the service need will support the new in-house service with its improvement plans and there is a positive direction of travel.

4.6   An audit of Early Years 30 hours funding arrangements resulted in limited assurance with particular concerns around the accuracy and robustness of the payments process; the administrative burden caused by the manual nature of processes across the system which also significantly increased the risk of errors; and the lack of training that had been provided to staff delivering the service. Positive management responses and actions were agreed to address the recommendations made and Internal Audit consider if these are actioned as planned then systems and processes will be significantly strengthened.

Education

4.7   A moderate assurance opinion on the use of penalty notices for unauthorised school absences was based on confirmation that the protocol used was in line

with legislation and statutory guidance and generally the approach was operating as intended. Internal Audit did identify some improvement could be made including consistency of application to sibling groups and compulsory school age and where reporting and financial management of the process could be enhanced to ensure that the resources required for penalty recovery remains cost neutral.

4.8 A thematic audit of procurement in schools provided moderate assurance over procurement arrangements and activities. The root cause of the non-compliance was considered to be the limited capability (in terms of knowledge, skills and capacity) of some key personnel engaged in high value procurement exercises and/or those expected to offer challenge, monitoring and oversight in a procurement exercise. Schools could explain the rationale for the method of procurement employed but were often unaware of Financial Regulations for tendering and what should be involved and so were not always in compliance with requirements. Individual schools were given assurance opinions which varied with seven substantial; five moderate; and four limited opinions.

4.9 Cash handling in schools was assessed in unannounced audit work and moderate assurance provided overall. The picture was mixed with some improvements in managing cash and a drive toward cashless systems however there were a number of similar issues arising over systems of financial control. Local reports were provided to each school and a summary provided the overall assessment including the need to enhance financial accounting, security and record keeping. This is being used to provide best practice advice to all schools.

4.10 Internal Audit has been reviewing the audit approach to schools in order to more effectively provide independent assurance as part of the overall schools assurance framework. While there are a range of clear policies, guidelines and advisories issued to schools and defined requirements in relation to management of risk and control in schools, matters identified by or reported to the Council regularly involve governance and financial control compliance issues and financial irregularities which have reputational and financial implications. Intelligence from across the Council including those from thematic audits; investigations; and a range of other Council teams suggests that provision of financial health checks by Internal Audit will be a useful addition to the assessment of control risk and this is included as a proposal in the 2019/20 Annual Audit Plan.

Adults Services

4.11 Audit work across Adults Services focused primarily on assurance over governance arrangements in respect of health and social care integration, core audits of aspects of social care delivery and follow up of limited assurance opinions issued in 2017/18.

4.12 An audit of governance arrangements within Manchester Health and Care Commissioning (MHCC), the partnership with Manchester Clinical Commissioning Group (MCCG) followed on from an earlier audit undertaken by

health audit colleagues. The audit focused on governance at Board level and with review of the operation of two board sub committees and resulted in moderate assurance. The main issue preventing a higher assurance opinion at that stage was a lack of sufficient Council representation and membership below Board level, specifically on the Executive Committee and Governance Committee, and the impact this could have on effective and inclusive decision making. The outcome of this audit, the earlier health auditor's work and a Board governance review resulted in a consolidated report to the Board and subsequent changes to the governance structures of MHCC as reported to Audit Committee in February 2019. Given changes in senior leadership across the Council and a review of roles and responsibilities it is critical that effective and appropriate Council representation is retained within these partnership governance arrangements during 2019/20.

4.13 Assurance has also been obtained by evidence of closer coordination of MHCC and Council risk management arrangement and risk registers and through the role that the Head of Audit and Risk Management discharges as a member of the MHCC Governance Committee.

4.14 Substantial assurance over the arrangements in place to monitor and report against the MHCC operational plan. From this work we concluded that the arrangements in place for 2018/19 were an improvement on the previous year's iteration and, if applied consistently were likely to improve the oversight, accountability and ultimately the likelihood of achieving 2018/19 priorities. The report confirmed that work streams, milestones, impact measures and high-level objectives and strategic aims were clearly described in the operational plan and owned at appropriate managerial levels and appropriate arrangements were in place to monitor progress in delivery of the operational plan.

4.15 Further work is scheduled to be completed in early 2019/20 focused on the MHCC Financial Sustainability Plan. The scope of this is currently being discussed for agreement with Council officers represented in MHCC and colleagues from health, including the auditors to Manchester CCG. Similarly, the scope for an audit of Council governance in respect of the Manchester Local Care Organisation is currently being finalised with key stakeholders for completion in May 2019. This will also reflect where appropriate on the findings of the recent Care Quality Commission of Manchester Foundation Trust which reflected positively on the arrangements within MLCO for community health services.

4.16 Liaison with Adults Services colleagues, health partners and between respective audit teams is ongoing and this was covered further in the separate report requested by Audit Committee on the Health and Social Care Assurance Framework and presented in February 2019. Developments will also include closer liaison between the Council and Manchester CCG Audit Committees in areas of common risks and shared assurance requirements. Further work is planned to develop this framework and working protocols in 2019/20.

4.17 In terms of core adult services, a number of issues raised by Internal Audit in

2017/18 and 2018/19 are understood and accepted by senior management and are reflected in the service Improvement Plan. This plan focuses on business critical areas ensuring the basics are in place for adult social care and to provide a solid foundation to support the successful delivery of health and social care reform and integration. This plan was referred to in the Adult Services Directorate Business Plan which was presented to Health Scrutiny Committee in February 2019 and focused on key improvement activities around processes, practice, workforce and resources. The service has seen a restructuring and appointment of three new senior managers to support the Director of Adult Services in leading and directing service delivery alongside transformational change. Internal Audit are supportive of this approach which should enable resources to be directed to critical areas of priority and concern and provide a more joined-up approach to improvement. Areas of concern raised by Internal Audit in the last 24 months are included as action points within the overall plan.

4.18 Limited assurance was given for the arrangements in place for management oversight and supervision in Adult Services. This was mainly due to the insufficient frequency of supervisions held with social work staff which was not in line with Council requirements and a lack of clarity over when and consistency in how and where records should be recorded and retained. There was concern identified about the lack of supervisions training for managers, the need for a monitoring and quality assurance framework over supervisions and recognition that there was a need to improve record keeping to ensure that decisions were clearly recorded. Management recognised the issues and had begun to take action to address them to confirm expectations, enhance guidance and ensure compliance.

4.19 For the Mental Health Casework audit, limited assurance was provided over arrangements in place to secure assurance over Greater Manchester Mental Health Trust's delivery of delegated statutory social care functions in line with relevant policies and procedures. The opinion was based on a need to strengthen control over timeliness; record keeping; management oversight; and record keeping. Internal Audit is engaging with management, the Trust and the Trust auditors to ensure appropriate management responses are agreed to address risk and we are aware that pre-planned actions have already been taken by the Trust that will reduce the reported level of risk from this audit.

4.20 Homecare is for the support of older and disabled people to stay at home where possible and to be enabled to return from hospital care promptly. Limited assurance in 2017/18 led to management actions to improve the arrangements including seeking to strengthen control over the scrutiny of service delivery and payments to providers. In responding to this audit it was clear that the timescales proposed by previous management for the recontracting of homecare services had been too ambitious and were therefore not met. This slippage has been reported to Audit Committee during 2018/19. The process for the renewal of contract is now well underway with learning from the audit to be included in the new framework management and monitoring arrangements.

4.21 Transition to adulthood remains a challenge to ensure that there are appropriate coordinated arrangements for young people as they move from Children's Service support to Adults Service support. The key actions for improvement are understood and being developed including the need for a clear vision and strategy; enhanced governance arrangements and development of policies and procedures which will ensure that the needs of the young person and thereby the requirements of the Care Act are met. This is a priority area of work for Adults and Children's services in the coming year and there is a Transition Board involving senior officers in place to monitor and direct action. This is an area where initial agreed timescales for agreed actions were not met and where the Director of Adults Services opted to take a more holistic, system-wide approach to secure sustainable change and improvement. Internal Audit support this approach and will seek assurance in 2019/20 that the new agreed actions to redesigned the approach to transition with partners, stakeholders, young people and their families have progressed as planned.

4.22 Action had been taken to address issues within the Client Financial Services in relation to support of appointee cash delivery and Internal Audit consider this has led to improvement of the controls. As a result, Internal Audit are assured that management have taken appropriate steps to ensure that recommendations have been fully implemented reducing the exposure to risk in this area.

5   Corporate Core

Information and ICT

5.1 ICT continue to progress a complex programme of infrastructure and software upgrades. The Data Centre Replacement Programme has migrated most of the Council's data and systems to upgraded servers, and is due to deliver a new network and twin data centre solution by a revised end date of January 2020. This project remains inherently high risk due to its scale and complexity, and the full benefits of a resilient ICT environment will only be delivered on successful completion. The level of risks is reflected in the current programme risk register and in the Corporate Risk Register, with regular updates to SMT and the ICT Board. A further update on progress is proposed to be presented to Audit Committee in September given that until such time as this solution is implemented the Council continues to operate without an effective disaster aversion or disaster recovery solution. Internal Audit have engaged with the project team to monitor delivery in this area and will continue to seek assurance through attendance at Project Board and Steering Group meetings.

5.2 As noted in 2.13, the Liquidlogic and ContrOCC project has also been a key area of focus for audit work. This project is significant as it moves both Adults and Children's Social Care services, and attendant financial processes to new systems and there are short deadlines for delivery. We provided limited assurance in relation to progress on user acceptance testing phase 4 (UAT4). Internal Audit confirmed that there has been substantial progress in the design, configuration and build of the system, and the associated user testing.

However, progress on development and delivery was behind schedule and there were a number of challenges for the project to address before any decision to 'go live'. Findings from audit work were not unexpected by management and the project has now undertaken a comprehensive review of required deliverables, to give assurance over completion of work to support the agreement of a revised delivery date of July 2019.

5.3 The capability to deliver these major projects alongside a current and planned pipeline of other complex and cross cutting programmes and projects including the User Experience Programme and Digital Experience Programme, as well as a range of other demands for systems, services and support from across the Council and through partnerships, remains an inherent risk and is reflected on the Corporate Risk Register. This is an area of ongoing focus for SMT and the ICT Board. Recruitment to the post of Director of ICT will also be critical to the management of risk in this area.

5.4 Cyber security remains a risk for the Council as with many other organisations. The ICT Service created a dedicated function in 2018/19 to co-ordinate and drive improvement of cyber security arrangements, and Internal Audit have been engaged with work on Public Service Network (PSN) compliance and incident management. System security has proven robust in year and significant actions have been taken in reducing the scale of old technology such as Windows 2003 servers as part of an ongoing process of maintaining a more secure, supported ICT infrastructure. A dedicated audit in this area has been agreed and is scheduled for delivery in early 2019/20.

5.5 In relation to General Data Protection Regulations (GDPR), a cross-service project team led the delivery of procedural changes to support Council compliance with the requirements before the implementation date of May 2018. We recognised that this would take time to fully embed across the Council. Through participation in the ICT Board and Corporate Information Assurance and Risk Group (CIARG) we are positively assured that breach reporting systems are working effectively and that the level of breaches reported to the Information Commissioner's Office (ICO) is low. Those breaches that have been reported have been comprehensively investigated and where possible contained, with clear actions agreed to manage the risk of reoccurrence. Given the scale of data controlled or processed by the Council this remains and area of ongoing risk and we are currently working on a dedicated audit of data retention and disposal, and plan to deliver further GDPR-related work in 2019/20.

Financial Systems

5.6 Regular quarterly audit reviews of payroll were carried out to provide assurance over the validity and accuracy of the processing of transactions using payroll standing data and monthly payroll data. The findings did not indicate any systemic weakness in the operation of controls within the process and no concerns were raised. As payroll data offers itself to data analysis it is proposed to continue to use this approach in 2019/20 applying computer

assisted audit tools and techniques to detect any anomalies, exceptions or irregularities that traditional sample testing may fail to identify.

5.7   Two audits were undertaken focused on budget monitoring, in relation to the Housing Revenue Account and the general revenue fund. In both cases we were positively assured that the control framework was operating effectively. The process of budget setting for 2019/20 is also considered to be robust with clear evidence of opportunity for oversight, challenge and scrutiny; and clear links through to Council priorities and directorate business plans.

5.8   Internal Audit have supported the profit recovery specialist firm we appointed who have begun work in reviewing supplier statements, identifying potential duplicate payments and potential unclaimed VAT over the last six years. To date this work has resulted in £204k of funds returned to the Council, primarily arising from the supplier statement review work. Internal Audit will share outcomes with the Deputy Chief Executive and City Treasurer to confirm decisions taken on recovery actions and will report outcomes to Audit Committee in due course. Whislt values identified over this period are significant, we have not identified evidence of any systematic weaknesses in internal control which would affect the overall opinion over the robustness of financial controls.

5.9   A number of mandatory certifications for European and Central Government grants including URBACT 3 and Factory were completed. Audit work confirmed that spend was compliant with grant conditions and provided certification to the relevant funding bodies. No significant concerns were found and the internal control was assessed as sound.

5.10   Moderate assurance was provided for the audit of Capital Strategy: Benefits Realisation. This audit focused on arrangement for the articulation, tracking and reporting of declared benefits deriving from capital projects. It was recognised that the overall governance and delivery of the capital portfolio had been subject to significant review and change, with new systems embedding across the organisation. Internal Audit support these positive changes and recognise that this will take time to embed consistently given the scale and breadth of the capital portfolio across ICT, highways, housing, development projects and other capital-funded activities. This is an area where 2018/19 has seen a strengthening of corporate governance and financial oversight and further audit work is planned in 2019/20 to review arrangements supporting this process at portfolio level.

5.11   Governance over capital schemes and development projects has also been developed in the last three months with the establishment of new Commercial Governance Programme Management Office reporting to the Deputy City Treasurer. This includes the appointment of new Head of Commercial Governance to provide additional support to the Commercial Board, key officers and Strategic Directors including the Deputy Chief Executive and City Treasurer in strengthening arrangements for the governance and management of commercial projects and partnerships.

Other Core

5.12 There were five audits in relation to the Our Town Hall (OTH) project during the period and Internal Audit were assured with the overall direction and control over this flagship project. We were satisfied that the process for the appointment of the management contractor and independently verified that project governance was appropriately designed to support effective decision making, oversight and scrutiny. Similarly, we were assured that the evaluation process used for the selection of the main contractor for the project was impartial and robust with appropriate supporting records. A six month health check also confirmed substantial assurance over compliance with processes for change control; monitoring and use of contingencies; and monitoring of key project decisions which had been determined as key controls for the successful delivery of the project. We provided some advice and made recommendations for further enhancing the use of the project management system and budget reporting as part of the process which are being considered by management.

5.13 To provide independent assurance over security in advance of closure of the Town Hall we undertook audit site visits and were able to obtain substantial assurance that arrangements were in place to prevent the unauthorised removal of any information or assets from the building pre or post closure. Following this we reviewed procedures for and decant of the Town Hall heritage assets collection and assessed the adequacy of the controlled and secure removal of the assets. This resulted in a moderate assurance opinion. A significant amount of work was carried out by a small, specialist team who recognised the risk and worked well to develop and coordinate plans for the movement of a substantial collection safely and securely. The process was successful and the collection is now in long term, managed secure storage. This included the decant of the heritage silver collection in respect of which we worked with the project team, security and insurance to provide advice and guidance over the proposed approach and agreed method to catalogue, secure and transfer assets safely off site. The overall opinion was not higher because the process for removal had been impeded and complicated by inconsistent and incomplete historic asset records and the need to address a large volume of non-heritage assets also stored at the Town Hall before the process could be effectively completed and recommendations to strengthen controls will enable consideration of medium and longer term decisions over asset management

5.14 The administration of Disclosure and Barring Service (DBS) checks was given moderate assurance following significant improvements made particularly with regard to the updating of the procedural framework and the management of risk assessments which were the key issues identified by Internal Audit in 2015. The core DBS activity for Council employees who have direct contact with vulnerable groups had been significantly strengthened as a result and the process was actively managed. A DBS Group of senior officers from across the Council are aware that there is still work to be done to fully embed consistent best practice across the organisation including specialised areas and activity to do this is ongoing. Following the departure of the Director of HROD there is

again a need to reconsider who is assigned the role of strategic lead in SMT and assigned as Lead Countersignatory.

6   Growth and Neighbourhoods, Strategic Development and Highways

6.1   Internal Audit provided limited assurance over governance arrangements supporting Highways Framework TC886. There was increased focus given to social value and the level of input and oversight from the Director of Highways to ensure the smooth operation of the framework. However, there were a number of key areas where further work was required to mitigate the inherent risks currently associated with the framework. In particular, there was a lack of certainty over the direct allocation process and how value for money could be demonstrated due to the lack of competition or a set pricing schedule and there remained restrictions over other authorities' ability or inclination access to the framework. While there were plans to enable this to be achieved, further work was needed including confirmation of the governance of the management fee which would apply for the Council administering the framework. Management recognise this and have agreed to action a recommendation to address this by the end of the year.

6.2   The wider improvement plans for the Highways Service are overseen by an Improvement Board that is now chaired by the Director of Neighbourhoods. This Board oversees progress across a wide range of workstreams including workforce planning, systems, finance and governance with a remit to support management in development across all aspects of the service. Whilst the scale of activity being overseen is substantial this Board has progressed well and provides senior officer oversight of steps being taken to address a number of longstanding issues and risks across the Service given its critical importance to the delivery of Council priorities and objectives.

6.3   The need for strong governance over procurement and contract management was emphasised in March 2019 when the principal contractor for the Manchester Salford Inner Relief Road project unexpectedly went into liquidation. A robust incident management response and the procurement of a new main contractor were undertaken but this incident, as well as wider public sector contractor failures such as Carillion, highlights the ongoing need for proportionate ongoing contract monitoring, business continuity and dynamic financial due diligence processes, not just in highways but across critical Council services. This is a current area of focus for the audit; risk and resilience; finance; procurement and commissioning; and legal services.

6.4   An audit of implementation of the City Centre Review sought to provide assurance over governance arrangements in place to monitor delivery of the agreed action plan which covered four key issues relating to: Place (littering, alcohol and substance misuse, antisocial behaviour); Rough Sleeping, Homelessness and Begging; Public Realm; and Management and Governance. The City Centre Review report contained a number of proposals to drive improvements which led to the creation of an 'Implementation Plan' and establishment of the post of 'Manager of City Centre Public Services' as well as the City Centre Accountability Board (CCAB). Governance was robust

and arrange of actions agreed in the Review had been successfully completed but Internal Audit provided moderate assurance as there was a need to refresh the strategy and link CCAB priorities more clearly to the priorities and objectives of the internal City Centre Coordinating Group (Senior Officers) or the Integrated Neighbourhoods Team (Council Officers and external parties) to ensure visibility and synergy of the wide range of positive but challenging work in these areas. We acknowledged this need for refresh was a natural evolution of arrangements given the pace and scale of change in the City and the issues faced by the Council and partners working to address a number of key issues across the City Centre.

7   Procurement, Contracts and Commissioning

7.1   Internal Audit provided assurance over contract governance arrangements for Council framework agreements in relation to roles and responsibilities; compliance with framework terms; and oversight and monitoring. Three frameworks were reviewed as part of the audit: Corporate Taxi Contract; Highways TC886; and Financial Services. The overall assessment of limited assurance came from the themes emerging from this and from previous audit activities around frameworks including investigations into allegations of non-compliance. Recommendations to drive improvements included the need for further clarification of the responsibilities of call off managers and framework managers; development of minimum expectations over framework delivery monitoring including social value; and the review and enhancement of guidance for allocation of work through frameworks. Actions have been agreed and are already underway in response to this work. For example, the Deputy City Treasurer has recently met with suppliers from the Financial Services Framework to develop a greater level of assurance and seek further transparency over their existing social value activities; and encourage firms to consider further contributions they might make in this area.

7.2   The social value aspect of contracts is a significant consideration for the Council when entering arrangements with suppliers. Internal Audit provided moderate assurance over the application of the Council's framework for the achievement of corporate social value priorities. The arrangements for coordination, monitoring and oversight of social value commitments could be strengthened to ensure consistency and this was already an area acknowledged by senior management as requiring further development. It was recognised that the basis for and application of the requirements for Social Value continues to evolve throughout the Council and that rightly there is strong involvement of Members in this process with clear and visible leadership in this regard from the Executive Member for Finance and HR. The profile and focus on social value is clearly high within the Council and with suppliers and much has been done to ensure that this is considered and integrated in the procurement decision including increasing the social value weighting from 10% to 20% and the production of guidance for both officers and suppliers. Key officers are aware of the need to strengthen and streamline processes to ensure maximum organisational value and impact is achieved and progress is positive but further work is needed to ensure consistency in application and in the realisation of benefits.

7.3 Internal Audit provided advice to the Integrated Commissioning Team to assist the work to improve corporate contract governance arrangements. We acknowledge the considerable work already undertaken by the Integrated Commissioning and Corporate Procurement teams seeking to raise contract management standards and awareness of contract related risks across the Council. Internal Audit also contributed to development of guidance to be included in the Contract Management User Guide around whistleblowing and insurance requirements and will continue to provide further support as required.

8   Counter-Fraud and Investigations

8.1 Detailed information in relation to anti-fraud and investigations for 2018/19 and an analysis of the effectiveness of the activity will be provided in the Annual Fraud Report to be presented to Audit Committee in July 2019. The impact and outcomes of counter fraud activity is considered in the Head of Audit and Risk Management Annual opinion. A summary of work during the year is shown below however the details of cases and actions are provided confidentially in the Annual Fraud Report due to the nature of the work.

Proactive Work

8.2 During the year work has been undertaken to develop the counter fraud framework building on the activity in the previous year and taking up a number of other proactive assignments within the Council and in working with partner organisations. This included the introduction of an e-learning tool as part of a wider programme of counter fraud training to promote both staff and Member awareness of fraud risk.

8.3 A review and update of Council Counter Fraud Policies was carried out to ensure that they remain relevant and up to date in line with legislation.   A review by the whistleblowing charity Protect confirmed that the policies remain fit for purpose, and also made some helpful suggestions for improvements based on best practice which were used in further revision. The revised suite of policies were presented to Audit Committee for consideration in March 2019. Following comments and input from the Trades Unions these policies will be finalised for approval by the Chief Executive in April 2019. The next phase which includes a wider programme of communications, awareness and focused training for key services will be completed in quarter one of 2019/20.

8.4 Internal Audit continued to coordinate the Council's participation and response to the national data matching exercise which is designed to help identify potentially fraudulent claims, errors and overpayments from the public purse by comparing data sets from other authorities for anomalies and irregularity. Where appropriate these have been assigned to relevant teams to be progressed. A significant number of these related to housing benefit which have been referred to the Department for Work and Pensions (DWP). Internal Audit have also volunteered to take part in a pilot scheme with enhanced data sets from HMRC which seeks to further strengthen the risk assessment and analysis for potentially fraudulent activity.

8.5   Internal Audit continue to liaise with Directorates through assigned staff with regard to the completion of relevant checks required on numerous data matches and there have been no reported significant matters arising at this time and as such does not highlight any concerns over the overall control environment or risk of fraud. An update report providing details of outcomes of the pilot and main exercise will be produced including areas deemed high risk in terms of outcomes and timescales for completion for consideration by the Deputy Chief Executive.

Reactive Corporate Cases

8.6   Internal Audit received 58 referrals of potential fraud, theft or other irregularity in the year April 2018 to end of February 2019 of which 19 were handled under the Council's whistleblowing policy. As in previous years the nature of the case work varied and some specific casework was complex with multiple issues and involved partners and third party relationships as well which added to the challenge of co-ordinating responses. Some work has been resource intensive this year in order to effectively investigate the allegations and led to a significant pressure on resources at a senior level in the Internal Audit Service and the need to reschedule some work in year which was absorbed in the review of allocated plans.

8.7   Internal Audit continued to assess the incoming referrals and to prioritise work in line with policy. The risk assessment process enabled confirmation of the objectives for the work and the role of Internal Audit and/or other Council services in the investigation of matters arising. As in previous years this process has included referrals to others where appropriate including Council managers; HROD; school governors / management; and Boards of third party organisations following privacy impact assessment. Referrals to the police have been made in a few cases where prosecution is a potential outcome including theft and fraud. Those cases have required ongoing support from Internal Audit based on the need for collation of evidence and witness statements and there are significant elapsed times on some prosecution cases due to dependencies on external legal processes. A significant example is the new date set in September 2019 for the prosecution of an ex-employee of Abraham Moss Community school in relation to the theft of £30k in 2016.

8.8   Allegations investigated followed a similar pattern in as previous years and included theft of money in schools; abuse of position; procurement and contract award irregularities; and business rates fraud. Where appropriate and supported by evidence this has led to suspension of staff and disciplinary action; custodial sentence; recovery of assets or money; and in some cases confirmation that there is no case to pursue.

Council Tax Reduction Scheme, Housing Tenancy and Right to Buy

8.9   Of cases received in respect of Council Tax Reduction, Housing Tenancy and Right to Buy work has been on going throughout the year demonstrating the value added from casework. Key outcomes at this stage are:

Right to Buy - Six referred cases currently under investigation and one successful prosecution. Total right to buy discount loss prevented £306,000.
Council Tax Reduction Scheme - 113 referrals and 88 followed to investigation stage. This has so far resulted in one administrative penalty and one successful prosecution. The value of recovery is currently £18,000 in overpayment and £1,000 in penalties.
Council Tax Single Adult Discount - Of 11 referrals in year there have been 4 cases taken to successful prosecution.
Housing Tenancy Fraud - 50 referrals in year of which 44 are being followed though in investigations which is a significant increase on last year. There have been two prosecutions. Estimated value of recovered properties is £144,000.

9   Recommendation Implementation

9.1   The total number of critical, major or significant priority recommendations fully implemented across the Council as at February 2019 was 64% with a further 17% partially implemented as shown below. Combined this is above the target of 70% for implementation and shows on going progress to mitigate risks.

9.2   Outcomes from follow up audits on all limited or no assurance opinions will ensure that Internal Audit can assess and report to management and Audit Committee on the level of assurance over actions being taken to address high risk. A full recommendations update will be taken to Audit Committee. In our opinion managers continue to place emphasis on the implementation of critical recommendations to address exposure to risk and seek pragmatic and practical solutions where possible. Active reviews and regular updates continue to have a positive impact on action to implementation and in exploring reasons for any delays.

9.3   A separate report quarterly Internal Audit report is provided to Audit Committee on all outstanding critical, major and significant recommendations and the reporting and escalation process has been strengthened to ensure Strategic Directors and Executive Members are made aware of outstanding recommendations on a regular basis.

Critical, Major or Significant Priority Recommendations by Directorate

Directorate	Number Due	Implemented	Partially Implemented	Referred Back	Outstanding
Core	43	30	3	5	5
Children's Services	19	11	3	0	5
Adult Services	20	12	6	0	2
Neighbourhoods and Strategic Dvt	26	16	6	0	4
Total	**108**	**69**	**18**	**5**	**16**
Total %		**64%**	**17%**	**4%**	**15%**

10   Recommendation

10.1 Audit Committee is requested to consider and comment on the Head of Audit and Risk Management Annual Assurance Opinion and Report

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

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Children's Services			
Troubled Families Validation of Performance Data 2017/18	Final	Moderate ●	Medium
Early Help 2017/18	Final	Moderate ●	Medium
Children Missing from Home or Care 2017/18	Final	Moderate ●	Medium
MASH follow up 2017/18	Final	Limited ●	Medium
Early Years 30 Hours Funding	Final	Limited ●	Not Set
Troubled Families Follow Up	Final	Not applicable	
Risk Management (Children's)	See Corporate Risk Management Audit		
Management Oversight and Supervisions	Draft	Limited ●	Set at Final
Assessed and Supported Year in Employment (AYSE) compliance	Draft	Moderate ●	Set at Final
Post Ofsted Improvement Plan	Fieldwork started	Set at draft	Set at final
Protect/Complex Safeguarding	Fieldwork complete		
Planning for Permanence	Fieldwork started		
Education and Schools			
Penalty Notices for Unauthorised Absence (Schools)	Final	Moderate ●	High
Thematic School Audit: Procurement	Draft	Moderate ●	Set at final
Thematic School Audit: Cash	Draft	Moderate ●	
Off Rolling of Pupils	Fieldwork complete	Set at Draft	

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Annual Schools Financial Value Standard (SFVS) Return 2019	Fieldwork complete	Advice and Guidance	
Special Education Needs	Deferred to 1920 plan		
Adults' Services			
MHCC: Governance Arrangements 2017/18	Final	Moderate ●	Not set
Manchester Health and Care Commissioning: Operational Plan 2017/18	Final	Substantial ●	Not set
Client Financial Services: Pre Paid Cards-Follow Up	Final	Not set	
Support to MHCC and LCO Assurance Framework Development	Advice and Guidance		
Management Oversight and Supervision	Draft	Limited ●	Set at Final
Mental Health Casework Compliance	Draft	Limited ●	
Transitions: Follow Up	Alternative assurance and included in Improvement Plan		
Risk Management (Adults)	See Corporate Risk Management Audit		
Supported Accommodation Quality Assurance Framework LD	Fieldwork complete	Set at draft	Set at final
Mental Health Panels – Decision Making	Deferred		
Quality Assurance Framework	Fieldwork complete	Scope changed based on the system changes. Position statement to be issued	
Homelessness Reduction Act Compliance	Fieldwork complete	Set at draft	Set at final
Local Care Organisation: SLA	Included in scope of LCO Governance Arrangements audit		
Local Care Organisation: Governance Arrangements	Fieldwork started	Set at Draft	Set at Final
Deprivation of Liberties (DoLs) - New	Fieldwork complete	Set at Draft	Set at Final

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Adult Social Care – Resource Allocation System and Panel Decision Making	Position Statement Scope has been merged with RAS system development and decision making		
Adults Social Care Panels (RAS) – Compliance			
MHCC Financial Framework Compliance	Planning	Set at Draft	Set at Final
MHCC Financial Sustainability Plan Delivery	Fieldwork started		
Risk Management (Adults)	See Corporate Risk Management Audit		
Manchester Service for Independent Living (MSIL)	Deferred to Q1 2019/20		
Core			
IR35 Compliance – Advice & Guidance 2017/18	Final	Not Set	
Disclosure & Barring Service 2017/18	Final	Moderate ●	N/A
Grant Certifications - Greater Manchester Pension Fund	Final	Certified ●	N/A
Core Systems - Payments (Purchase Cards)	Final	Moderate ●	High
Payroll Continuous Auditing – Quarter One	Final	Not Set	
Grant Certifications – Arts Council Factory Project 2017/18	Final		
Grant Certifications - Growth Deal	Final		
Grant Certifications - Carbon Reduction Commitment	Final		
Grant Certifications - URBACT III (Claim Q2)	Final		
Payroll Continuous Auditing – Quarter Two	Final		
Grant Certifications - URBACT III (Claim Q4)	Final		
Payroll Continuous Auditing – Quarter 3	Final		

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Payroll Continuous Auditing – Quarter 4	Draft		
Grant Certifications - Revolving Investments in Cities of Europe (RICE)	Final	Not Set	
Overtime: Compliance	Final	Full 🟢	Not Set
Housing Revenue Account - Financial Administration	Final	Substantial 🟢	Not Set
Capital Strategy – Benefits Realisation	Final	Moderate 🟡	High
Our Town Hall – Governance	Final	Position Statement	
Our Town Hall – Security	Final	Substantial 🟢	Not Set
Our Town Hall – Appointment of Management Consultant	Final	Assurance Review: Positive Assurance 🟢	
Our Town Hall – Six Month Health Check	Final	Substantial 🟢	High
Our Town Hall - Decant and Disposal (Portable Assets)	Final	Moderate 🟡	High
Core Finance Systems - Benefits and Risk Based Verification	Final	Substantial 🟢	Not Set
Annual Governance Statement	Final	Advice and Guidance	
Risk Management (Core)	Draft	Substantial 🟢	High
Core Finance Systems - Revenue Budget Monitoring	Draft	Substantial 🟢	Set at final
Core Finance Systems - Payments (SAP) BACS	Fieldwork complete	Set at Draft	Set at Final
Our Manchester Grants - Outcome Monitoring	Fieldwork started	Set at Draft	Set at Final
Our Manchester - Performance Management Framework	Fieldwork complete	Set at Draft	Set at Final
Recruitment and Selection	Deferred to Q1 2019/20		
ICT and Information			

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Liquidlogic – Data Migration & Testing (Phase 1) 2017/18	Final	Moderate ●	Not set
Application Audit – One System 2017/18	Final	Moderate ●	High
Application Audit – SAP 2017/18	Final	Moderate ●	Medium
Mobile Connections: Follow Up	Final	Not set	
Going Google 2017/18	Final	Position Statement	
LiquidLogic Position Statement	Final		
Liquidlogic and ContrOCC (Data Migration and User Acceptance Testing - system finalisation phase)	Final	Limited ●	Medium
PSN Code of Connection	Fieldwork complete	Set at draft	Set at final
GDPR - Post Implementation Compliance Review	Fieldwork Started		
Cyber Security	Planning		
Application Audit - GSuite	Planning		
Data Centre Replacement	Fieldwork complete		
Data Retention and Disposal	Scoped in GDPR review post implementation review		
Software Licensing: Follow Up	Deferred to 2019/20 based on dates of implementation		
Growth and Neighbourhoods			
Retail Market Income 2017/18	Final	Moderate ●	High
Risk Management (G&N)	See Corporate Risk Management Audit		
Leisure Contract Performance Management	Advice and Guidance		

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Strategic Development			
Income and Debt Management: Investment Estate 2017/18	Final	Moderate ●	High
Grant Certification – Disabled Facilities Grant	Final	Certified	Not Set
Risk Management (Strategic Dvt)	See Corporate Audit		
City Centre Review - Governance	Draft	Moderate ●	High
Northwards Programme and Project Health Check	Planning	Set at Draft	Set at Final
Capital Project Health Checks and Payments	Planning	Scope and timing under review – to start Q1 2019/20	
Highways			
Highways Pothole and Patching 2017/18	Final	Moderate ●	Medium
Grants Certification - Cycle City	Certified	Positive Assurance: Certified without Exceptions	
Grants Certification - Highways LTP Capital Maintenance			
Grants Certification – Pot Hole Action Fund			
Grant Certification - Highways Maintenance Efficiency Grant			
Highways Revenue Contracts - Award of Work/Monitoring Payments	Draft	Moderate ●	Set at Final
Highways Capital - Project Health Checks and Payments	Fieldwork started	Audit refocused to provide ongoing assurance over MSIRR re-procurement and payments	
Grants Certification - Highways Challenge Fund	Cancelled – No certification required		
Grants Certification - Highways Local Pinch Point			
Procurement, Commissioning and Contracts			

Audit Area	Audit Status	Assurance Opinion	Capacity to Improve
Contract Management – HROD	Final	Moderate 🟡	High
Contract Management – Galleries	Final	Moderate 🟡	High
Multi Links Commissioning – Advice and Guidance	Final	Not Set	
Contractor Insurance Arrangements	Final	Limited 🟠	Medium
Contractor Whistleblowing Arrangements	Final	Limited 🟠	Medium
Factory Project: Governance Arrangements	Final	Moderate 🟡	High
Homecare Contract Follow Up	Final	Not Set	
Highways Framework	Final	Limited 🟠	High
Taxi Framework	Final	Limited 🟠	High
Financial Services Framework	Final	Moderate 🟡	High
Frameworks Contract Governance – Overall Report	Final	Limited 🟠	High
Corporate Contract Development	On going Advice and Guidance		
Social Value	Final	Moderate 🟡	High
Procurement Fraud: Spend Review	Draft	Moderate 🟡	High
Assurance Mapping (Contracts)	Fieldwork started	Not applicable	
Public Contracts Regulations Compliance	Deferred to 2019/20		

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Manchester City Council
Report for Resolution

Report to: Audit Committee - 15 April 2019

Subject: Internal Audit Plan 2019/20

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

Summary

Standards for Internal Audit in local government are set out in the Public Sector Internal Audit Standards (PSIAS) and a Local Government Application Note from the Chartered Institute for Public Finance and Accountancy. The PSIAS confirm that the Council should periodically prepare a risk based plan of Internal Audit activity that is designed to support an annual opinion on the effectiveness of the systems of governance, risk management and internal control and is informed by the audit strategy, consultation with stakeholders and a dynamic assessment of risks.

The PSIAS state that "the chief audit executive (Head of Internal Audit and Risk Management) must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management (Senior Management Team) and the board (Audit Committee) for review and approval".

Recommendations

Members are requested to review and approve the Annual Internal Audit Plan for 2019/20.

Wards Affected: None

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Background documents (available for public inspection):

- Annual Audit Plan 2018/19 (Audit Committee June 2018)
- Corporate Risk Register (Audit Committee March 2019)
- Annual Governance Statement 2018/19 and Head of Audit Annual Assurance Opinion 2018/19 (Audit Committee April 2019)
- Quarterly Assurance Reports (Audit Committee 2018/19)

Internal Audit Plan 2019/20

1.   Background

1.1. The Public Sector Internal Audit Standards (PSIAS) set out the standards for internal audit and have been adopted by the Service in Manchester. All internal audit assurance and consultancy services fall within the Definition of Internal Audit. The PSIAS include the need for "risk based plans" to be developed for internal audit and for plans to receive review and approval from senior management and the "board". For local authorities the "board" is defined as the Audit Committee.

1.2. The audit plan has been developed following consultation and includes requests for audit work from key stakeholders where appropriate. The content of the plan is based on risk assessment and assurance considerations including the outcomes of previous audit work and requests for support and advice. Outline audit plans were shared and discussed with strategic directors and directorate management teams in line with business risk assessment and with due consideration of alternative sources of assurance. The purpose of this report is to seek Audit Committee input and subsequent approval for the 2019/20 annual Internal Audit plan.

2.   Basis for the Plan

2.1. The PSIAS (section 2000) state that the Head of Internal Audit and Risk Management must "establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals". They refer to the need for the plan to reflect the assurance framework, risk management arrangements and input from management and "the board". These principles have been applied in the development of the 2019/20 plan as follows:

A. Annual Internal Audit Opinion (PSIAS 2010)

- Head of Internal Audit and Risk Management forms an annual assurance opinion based on an annual programme of audit work and assurance obtained by other means. It is not cost effective or necessary to obtain audit coverage of all strategies, systems, business areas and risks so these are reviewed on a risk basis each year.
- The current approach is to provide a range of types of audit work which provide for different scope and coverage.
- Advice and guidance is provided to services and partnerships where appropriate based on requests from management and resource is also allocated to support developing systems and a range of emerging projects. There remains a significant focus on this type of work because of the extent and range of transformation and change across the Council and partner organisations and the need to target audit support and engage with stakeholders in a timely way.
- The Head of Internal Audit and Risk Management seeks to place reliance on assurance mechanisms within the Council as well as the findings of other

auditors and inspectors in forming the audit plan and in reaching his annual opinion.

- The plan is flexible and is reviewed and adjusted throughout the year, as necessary, in response to changes in policies, systems, processes, risks and controls across the Council. These changes are communicated to Audit Committee and senior officers.

B. Based on a Risk Assessment (PSIAS 2010.A1)

- The Internal Audit Section works closely with the Council's Risk and Resilience Team under a single Head of Service and this enables timely sharing of relevant intelligence between teams including an understanding of key directorate and corporate risks. Internal Audit engages with Strategic Directors and Heads of Service and colleagues across the Council to ensure that known and emerging risks are considered in annual audit planning.
- Proposed areas for audit are assessed by Internal Audit against risk criteria. Audits are ranked to determine the level of potential risk and inform decisions on the allocation of work to the annual plan. In addition to mandatory audits, such as grants, the risk criteria used are:

Reputational Impact	Impact on Service Fulfilment	Impact on Strategic Objectives
Effective Use of Finance and Resources	Changes in management, structures or systems	Legality including statutory or regulatory obligations
Welfare of People	Known control or fraud risks	Corporate or Key Directorate Risk

- Assignment audit planning considers key risks and the scope of audit work is designed to ensure that local and national issues and risks are addressed.
- The Head of Internal Audit and Risk Management ensures a culture of risk awareness is maintained within the Service so that all members of the team are aware of local, regional and national risks in the performance of their duties.
- Through regular liaison and the sharing of emergent plans with colleagues across the North West, Greater Manchester and the Core Cities, Internal Audit ensures that it is aware of emerging risks in other Councils and considers them as part of audit planning.

C. Informed by Expectations (PSIAS 2010.A2)

- The Internal Audit Service is aligned to service and directorate structures across the Council, ensuring audit teams engage actively with Strategic Directors and their teams.
- The annual audit plan is based on consultation and discussion with these directorate management teams and key officers to ensure it is focused on key risks, core systems and areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes.

3. Annual Planning

3.1. The approach to audit planning in the Council for 2019/20 has been based largely, but not exclusively, on the following:

- Review of corporate, directorate and programme/project risk registers, the draft Annual Governance Statement and Partnership Risk Register.
- Consideration of Executive Member priorities, OurManchester principles and priorities, Directorate Business Plans and financial plans, including partnership health and social care plans with Manchester Health and Care Commissioning (MHCC) and Manchester Local Care Organisation (MLCO).
- Review of the OurManchester Strategy, OurPeople Strategy and other key strategy documents.
- Assessment of the outcomes from audit and investigation work in 2018/19 and earlier years.
- Consideration of alternative sources of assurance.
- Engagement with Strategic Directors, Heads of Services and directorate management teams.
- Liaison with the Council's external auditor and with health internal auditors in respect of MHCC and MLCO.
- Liaison with audit colleagues across the North West, Greater Manchester and the Core Cities.
- Engagement with colleagues across the Core, including Finance, HROD, Legal Services and ICT.
- Engagement with the Risk & Resilience, Insurance & Claims and Health & Safety teams within the Audit and Risk Management Division.

3.2. Work was carried out in collaboration with Bolton Council audit on assurance maps developed based on CIPFA / SOLACE standards, Association of Local Authority Risk Management standards and organisation service areas / themes. These have been used initially within Internal Audit to capture audit and other assurances over systems of governance, risk management and internal control; at corporate, directorate and support service levels. This work will be further developed in the coming year to support ongoing audit planning and assurance reporting and shared with senior officers and Audit Committee. Key areas of focus reflected in the 2019/20 audit plan for this activity are Core Financial Systems; ICT; Procurement and Contracts; Highways, Counter Fraud; and Health and Social Care. The aim of this approach is to strengthen the Service's ability to articulate the outcomes of internal audit work but also reflect on other sources of assurance including reports to Executive and Scrutiny Committees; and the work of other assurance providers including NHS internal audit providers, external audit, other inspectors and regulators. The results of this will be reported to relevant Directorate Management Teams (DMTs), Senior Management Team (SMT) and Audit Committee during the year.

3.3. Following this work an audit plan broken down by themed and specific audits and assurance reviews has been developed to provide for key assurance needs across the organisation. It is presented below.

3.4.   Liaison with senior officers will continue throughout the year to ensure that the risks identified are consistent with their understanding and assessment of assurance and support needs and this is reflective of the first and second lines of assurance within business areas. Any changes required to the audit plan based on a reassessment of risk or alternative sources of assurance will be agreed with management and reported to Audit Committee.

4.   Key Characteristics of the Annual Plan

Context

4.1.   The Internal Audit Plan takes account of the Council's overall business priorities and risks including the substantial transformational change programme and the potential impact of reduced resources on the control environment. The Service has carried out a review of business plans and priorities and engaged with horizon scanning to assess known and emerging risks. As partnership working and collaboration within the City and across Greater Manchester continues to evolve the risk landscape changes. This is taken into account so the annual plan is designed to offer sufficient **flexibility** to adapt plans and enable assurance to be obtained over emerging risks and take account of alternative sources of assurance. The plan includes areas where the scope of work is not fully defined at the start of the year with some allocation of resource in blocks. This time will be assigned when the work is more apparent and can be scoped effectively and agreed with management in year.

4.2.   For 2019/20 this is based on a number of key factors including:
- Budget savings required linked to transformation of services and changes in service delivery models.
- The ongoing governance, risk and control impacts of devolution and major local changes such as the planned integration of health and social care with associated impact of developments in the Local Care Organisation and Manchester Health and Care Commission.
- The ongoing implementation and embedding of OurManchester and OurPeople strategies and the response to the BHeard Survey 2018.
- The need for flexibility to provide appropriate assurance at various stages of large scale projects including Factory and Our Town Hall and within large scale service improvement plans including Adults Services and embedding service change in Children's Services.

4.3.   The resource availability for Assurance and Counter Fraud work is finite and this means that some potential areas of audit explored with management cannot be resourced in-year. The approach to assessment of risk and consideration of other sources of assurance enables decisions to be taken on where audit focus should be given. These areas of potential focus are all captured as part of audit planning for consideration in future years or for reprioritisation should matters develop such that the initial audit assessment of risk is deemed to have changed. A modest contingency is also held to support urgent or high risk requirements within the year.

4.4. Periods of change inevitably increase the potential for risks, both positive (opportunities) and negative (threats). Changes in governance, roles and responsibilities for example provides potential for a breakdown in control as well as an opportunity to consider new, more efficient ways of organising systems, processes and deploying people without impacting adversely on control. To reflect this risk, the plan includes time for advice and guidance and developing systems work to offer **support** and **challenge** to officers involved in the development of systems of governance, risk management and internal control.

4.5. The pace and scale of change across the Council requires assurance that is **prioritised** and **timely**. The Internal Audit plan provides for this assurance to enable any remedial actions to be taken on a timely basis. There remains a need for short, focused and practical audits and advice. The scope will usually be narrower than a full system or risk based audit, and will provide assurance over the management of specific risks. Agreed audit scopes will be designed to reflect whether the audit will provide an assurance opinion, offer other assurance work or provide advice in line with consultancy principles

4.6. The plan includes time assigned for short (two-day) assurance assessments on topics of key risk or strategic interest where the scope of potential audit work and the additional assurance value this may add is not fully understood. This will enable the Internal Audit service to work with officers to establish the background to and key risks and actions underway in areas of business priority. The intention of this work is that the information and analysis will inform audit planning for the coming year and contribute to overall assurance reporting culminating in the Head of Internal Audit and Risk Management annual opinion.

4.7. As a result of the above the Head of Internal Audit and Risk Management considers that Internal Audit's objectives are most appropriately met by delivering a combination of different types of audit and review supported by an assessment of other sources of assurance and that resource is also directed to consultancy where opinions may not be provided but where advice and support may be given and assurance assessment work to enhance the understanding of the control environment. This is not an uncommon approach but has been tailored to reflect the specific needs of the Council. It is consistent with the approach taken in the development and delivery of previous audit plans.

Plan Structure

4.8. There are a number of different types of audit activity included in the annual plan. For 2019/20 the plan differentiates between four main types of audit work as follows:

Type of Assurance and Approximate Split for Planning		Examples
Audit Opinion Reviews	50%	System Audits Compliance Audits Risk Based Audits Governance and Strategy Audits Grants
Audit Assurance Reviews	20%	Developing Systems Reviews Management Assurance Requests Assurance Assessments
Advice, Guidance & Support	5%	Attendance on working groups and boards Responses to reasonable, relevant management requests for support or guidance
Counter Fraud, Probity & Investigations	25%	Proactive counter fraud activities Corporate counter fraud investigations Other counter fraud investigations

4.9. The key outcomes of all audit opinion reviews; audit assurance reviews; advice and guidance; and counter fraud activity will be reported to Senior Management Team ("SMT") and Audit Committee. For all audit opinion reviews in 2019/20, the opinion will reflect both the level of assurance of the system or area under review. This has been changed for the coming year from five to four levels of opinion specifically: no, limited, reasonable, substantial assurance along with providing the impact of the system or area (high, medium, low) to assist SMT and Audit Committee by highlighting areas of greatest risk.

4.10. The position on implementation of recommendations from all types of audit activity will be reported to SMT and Audit Committee and escalation action taken as required where there are delays in addressing risk. The formal process is that quarterly updates are provided and any significant audit recommendation more than six months old is escalated to Executive Member and Strategic Director for review and to Audit Committee if outstanding at nine months.

Plan Content

4.11. The audit plan contains various types of audits based on assessed need. This reflects the need to focus on the management of emergent and inherent risk and to ensure the continued operation of controls within the Council's overall governance arrangements, its systems and processes.

4.12. The time allocated to assurance reviews and advice and guidance is reflective of the need to support the design and implementation of a number of transformation and service improvement activities. In the coming year this includes responding to changes including Adults; Health and Social Care; Children's Services; Corporate Core and Contracts and Commissioning.

4.13. To manage the audit plan and maintain flexibility within the resourcing available some time is allocated in blocks which will be used to draw down resource needed for specific audit work based on risk assessment and need assessed in year. This approach is to ensure that the plan remains current and responsive to business needs. In particular, the approach will be available for work including Our Town Hall Project; Factory; Contracts and Commissioning; and Adult Services Improvement Plan.

4.14. The need for investment of resource for counter-fraud, irregularity and probity work continues as in previous years including the development of key proactive counter fraud tools and in collaboration with partner organisations.

4.15. External work which is paid assurance activity is an offer available to schools and academies and other assurance requests will be considered as appropriate. In the coming year work continues to include development and enhancement of Counter Fraud strategies working in collaboration with Bolton and other Council partners. The service for schools as Data Protection Officer in relation to GDPR is operational. This work in collaboration with Bolton is self-funded with a team dedicated specifically to the work and as a result is outside of the scope of the audit plan.

4.16. Some areas have been included in the audit plan as a block of time for assurance assessments. These are not specifically focused on producing opinions but at focused assessment of available sources of assurance and developing intelligence. They will nonetheless contribute to the overall assessment of assurances during the year and as part of the Head of Audit and Risk Management's annual audit opinion.

4.17. Through the annual planning and audit risk assessment process a number of areas of inherent risk were considered where assurance work could be undertaken. These are areas where audit risk assessment and knowledge of other sources of assurance mean they have been assessed as lower overall risk or areas for potential focus in future years. These areas are held 'below the line' on the audit plan each year and are reviewed as part of ongoing audit planning and engagement with key stakeholders across the business. Areas held below the line for 2019/20 are noted at the end of the audit plan at appendix one.

4.18. These areas will be considered within assurance mapping activities in 2019/20 to assess sources of assurance and then reconsidered for the 2020/21 audit plan. These areas will form part of a broader report requested by Audit Committee for the Autumn setting out area of potential audit focus over the next 24-48 months and links to other sources of assurance.

Scale of Plan and Service Development

4.19. A review of the service structure for Manchester and Bolton Internal Audit was delayed and is to be finalised by the end of September 2019 based on an agreed timeline. The appointment of a Deputy Head of Internal Audit and Risk Management was agreed in March 2019 and he will be in post in May 2019 as part of the new structure arrangements proposed.

4.20. The Manchester audit service has an approved establishment of 18 staff (excluding the Head of Internal Audit and Risk Management) which is equivalent to 16 FTE with reduced hours arrangements. There remains one Lead Auditor vacancy and one Senior Auditor vacancy which will be resolved as part of the restructure. With temporary arrangements in place to cover the two vacancies, the current resource available for the 2019/20 audit plan equates to 16 FTE.

4.21. The plan assumes, as in previous years, that some additional resource will be bought in to support specialist audit needs in ICT audit and this is under review in line with brought forward work.

4.22. As a consequence of the above, the total resources allocated to the management and delivery of direct audit work for 2019/20 is 2,724 days. This compares to 3,085 planned days for all Council and external client work for 2018/19. The key difference in this overall total is as a result of the reduction in work for the GMCA which was to be resourced through the recruitment of additional staff on agency or short term contracts in 2018/19 and following the decision of the GMCA to further develop and recruit to their own in house audit service is therefore not required beyond the need of quarter one 2019/20.

4.23. Of the total audit resource, the split across Manchester, Bolton work and other audit work is as follows:

	Days 2019/20	Days 2018/19
Manchester City Council	2,554	2,450
GM Combined Authority	80	575
Bolton Council	40	40
External: Schools & Academies	50	20
	2,724	**3,085**

Planned Audit Work Allocations

4.24. The plan has been compiled to broadly reflect the SMT structure (which had been changed during 2018/19) as follows:

- Core: Deputy Chief Executive & City Treasurer and City Solicitor;
- Growth and Neighbourhoods: Director of Neighbourhoods and Strategic Director (Development);
- Children's Services: Director of Children's Services and Director of Education;

- Adults Services: Director of Adult Services and Director of Population Health.

4.25. Contingency and follow up includes 100 days held back for in-year priorities and a small number of audits in progress at year end. These audits include work on MHCC, Highways Contractor Due Diligence, ICT and Planning Permanence, all of which are scheduled for completion in quarter one of 2019/20.

4.26. The spread of time assigned to the Directorates, as well as across the thematic areas of Counter Fraud and Irregularity; Data, Information and Systems; and Procurement, Contracts & Commissioning is shown below.

Area	2019/20		2018/19
	Days	%	Days
Counter Fraud and Irregularity	677	30%	650
Children's Services and Education	231	10%	237
Adults Services (including LCO and MLCO)	212	9%	183
Corporate Core	219	10%	218
Data, Information and Systems	108	5%	120
Neighbourhoods, Strategic Dvt & Highways	198	9%	258
Procurement, Contracts & Commissioning	197	8%	202
Follow Up, Advice and Guidance	217	10%	242
2018/19 Completion and Contingency	203	9%	68
Total Audit Time on Direct Audits	**2,262**	**100%**	**2,178**
Other Direct Audit Activity including Planning, Delivery Management and Reporting	**292**		**272**
Total Bookable Audit Time	**2,554**		**2,450**

5.   Recommendations

5.1. Members are requested to review and approve the Annual Internal Audit Plan for 2019/20.

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Appendix 1 Audits in 2019/20 Internal Audit Plan

The audit plan and areas of proposed focus link to the Corporate Plan 2018-2020 and Corporate Risk Register

Column headings 1-8 refer to the following:

1.   Young People

From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded good or better

2.   Healthy, Cared for People

Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives.

3.   Housing

Ensure delivery of the right mix of good quality housing so that Mancunians have a good choice of quality homes

4.   Neighbourhoods

Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of.

5.   Connections

Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks.

6.   Growth that benefits everyone

To support our priorities, we need to continue to promote and drive sustained economic growth and job creation that benefits everyone

7.   Well Managed Council

Support our people to the best and make the most of our resources

8.   Corporate Risk Register (CRR)

Numbers refer to references in CRR as presented to Audit Committee March 2019 and whether high (H), medium (M) or low (L) risk

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
Counter Fraud and Irregularity	Counter Fraud Training and Communication	Proactive	Medium	Programme of training focused on key service areas with fraud risk and key activities to support awareness, accessibility to guidance.							x	
	Corporate Counter Fraud Framework: Strategy & Policies	Proactive	Medium	Refresh of the content of key policies and procedure documents from the counter fraud framework. Clarification and (where appropriate) coordination of counter fraud arrangements across key partnerships in health, housing and with Central Government.							x	
	Proactive Counter Fraud reviews	Proactive and Probity	High	Development and delivery of a series of detective counter fraud reviews focused on key risks with scopes to be finalised but planned to include individual budgets and non domestic rates.			x				x	
	Risk Assessment Assurance Framework for Counter Fraud	Proactive	Medium	Review, confirm and assess the organisational risk and assurance framework to provide assurance over measures in place to deter, prevent, detect and tackle risks of fraud.							x	
	National Fraud Initiative (NFI)	Proactive and Probity	High	Co-ordination and facilitation of the Council's response to the NFI including data collation, review of matches and action to address anomalies. For 2019/20 this includes engagement in a new NFI pilot using HMRC data.			x				x	
	Fraud and Corruption Surveys and Returns	Proactive	Medium	Completion of survey and analysis of results and comparators as part of							x	

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
				CIPFA surveys, under Transparency Code and in returns to Government								
	Annual Fraud Report	Proactive	High	Report to Senior Officers and Audit Committee.							x	
	Reactive - Block	Reactive	High	Block to address referred work and deliver investigations. This includes referrals primarily in respect of: • Corporate fraud, irregularity and error • Housing Tenancy • Right to Buy • Council Tax Reduction fraud.							x	
Corporate Core	Core Financial Systems: Assurance Framework	Assurance: Review	Low	Provision of framework for assurance assessment and assurance map							x	1 (H)
	Annual Governance Statement	Advice and Guidance	Low	Support for the annual review of arrangements supporting the compilation of key governance report.							x	
	Recruitment and Selection	Opinion: System	Medium	Assurance over the application of policy and the retention of associated records supporting decisions made.						x	x	
	Making Tax Digital	Assurance: Review	Medium	Assurance, Advice and Guidance on development which covers range of income and expenditure streams.					x		x	
	Officer Decision Making	Opinion: Compliance	Medium	Consistency and completeness of record keeping in evidencing officer decision making.						x	x	

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
	Capital Strategy - Governance	Opinion: System	High	Consistency and effectiveness of the operation of portfolio boards support delivery of the capital strategy						x	x	D6 (H)
	Core Financial Systems	Opinion: System & Compliance	Mandatory	Delivery of programme of ongoing assurance over the effectiveness of the Council's core financial systems. For 2019/20 to focus on: • Treasury Management • Revenue Budget Setting • Council Tax • Payroll: Continuous Auditing • Income SAP: Continuous Auditing Development							x	1 (H)
	Our Town Hall	Opinion: Risk	High	To provide project assurance and advice and guidance on a risk basis over the Our Town Hall project. This may include risk and financial management; contracts and payments; and social value.						x	x	D7 (M)
	Corporate Core Transformation	Assurance: Review	Medium	To provide assurance, advice and guidance in relation to sample transformation work stream to support delivery of the Core Transformation Programme.							x	D1 (H)
	Workforce Delivery Planning	Opinion: System	Medium	System review of the effectiveness of workforce planning and development across the Council.						x	x	3 (H) D1 (H)
	Grant Certifications	Opinion: Compliance	Mandatory	Certification of grant returns for accuracy and completeness including:						x	x	

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
				• Urbact C-Change (EU funding) • Factory Grants • Carbon Reduction Commitment • GM Pension Fund								
Data, Information and Systems	Social Care System Replacement	Assurance: Review	High	To provide assurance, advice and guidance for the development and implementation of the Liquid Logic system under development for implementation in 2019.		x					x	12 (M)
	ICT Assurance Framework	Assurance: Review	Medium	Review, confirm and assess the organisational framework to provide assurance over ICT activities.					x		x	5 (H) 8 (M) 9 (H)
	User Experience Programme: Asset Management	Opinion: System	Medium	Review of the effectiveness of the ICT asset management as part of end user experience programme					x	x	x	9 (H)
	Digital Experience Programme	Assurance: Developing System	High	Assurance over the approach and development to refresh customer facing ICT services – scope to be confirmed.					x	x	x	9 (H)
	Application Audit: G-Suite	Opinion: System	Medium	Assurance over the local administration of the G-Suite (Google) application.							x	8 (M)
	Cyber Security	Opinion: System	Medium	Assurance over the Council's approach to cyber security							x	8 (M)
	Data Subject Access Requests (DSARs)	Opinion: Compliance	Low	Compliance with legal and local guidance for the processing of Data Subject Access Requests.							x	

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
	Software Licensing	Opinion: Follow Up	Medium	Assess progress to implementation of recommendations.		x						
Adult Services	Adults Improvement Plan Governance and Delivery	Opinion: Governance and Risk	High	Allocation of audits to provide assurance over governance and progress in delivery of adults service improvement plan. This could include performance management framework; panels and decision making; and the quality assurance framework		x					x	11 (M) D13 (H) D14 (H)
	Adults Social Work Casework Compliance	Opinion: Compliance	High	Assurance over arrangements to ensure delivery of case work in line with statutory duties		x						11 (M) D14 (H)
	Integrated Delivery Teams	Assurance: Developing system	High	Assurance over the development of integrated neighbourhood delivery teams in line with expectations and in support of the discharge of statutory duties.		x		x			x	4 (H)x
	Mental Health Panels	Opinion: Risk	High	Effectiveness of mental health panels on approving care packages and spend		x						D13 (H) D14 (H)
	Health and Social Care Assurance Framework	Assurance: Developing system	High	Review, confirm and assess the framework to provide assurance over health and social care – in conjunction and coordination with health internal audit partners.		x					x	4 (H)
	Manchester Health and Care Commissioning (MHCC)	Opinion: Risk	High	Block of audit work to provide assurance over governance and the management of delivery and financial risks. Scope to be developed in collaboration with health auditors.		x					x	4 (H)

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
	Manchester Services for Independent Living (MSIL)	Opinion: System	High	Assurance over management and delivery of equipment and adaptation services to Manchester Citizens.		x					x	
	Deprivation of Liberties	Opinion: Follow Up	High	Follow up audit on progress to implement recommendations to address areas of risk		x						D14 (H)
	Mental Health Case Work	Opinion: Follow Up	High	Follow up audit on progress to implement recommendations to address areas of risk		x						D14 (H)
	Adult Management Supervisions and Oversight	Opinion: Follow Up	High	Follow up audit on progress to implement recommendations to address areas of risk		x						D13 (H) D14 (H)
Children's Services	Adoptions; Policy and Procedure	Opinion: System	High	Assurance over the system for governance and management of adoptions	x							D17 (H)
	Children's Services: Quality Assurance Framework and Safeguarding and Improvement Unit	Opinion: Compliance	High	Assessment of compliance with the QA framework	x							D17 (H)
	Early Help: Delivery	Opinion: Risk	High	Assessment of the Early Help Hubs to include links to the Troubled Families programme.	x							
	Post Ofsted Plan Monitoring	Opinion: Risk	High	Assurance over the embedding of actions in key areas which may include Youth Offending and Ofsted Focus Visit	x							
	Children's Services Supervisions and Management Oversight	Opinion: Follow Up	High	Assessment of progress to address risks identified in the audit 2018/19	x							D17 (H)

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
Education, Skills and Schools	School Audit Assurance	Opinion: System	High	Annual programme of school financial health checks focused on financial systems of governance and control and coordination of the SFVS process.	x							D17 (H)
	Schools Assurance Framework	Assurance: Review	Medium	Review, confirm and assess the organisational framework to provide assurance in respect of governance, risk management and systems of control across schools.	x							D17 (H)
	Schools Quality Assurance Framework	Opinion: System	High	Assurance over the design and operation of the QA framework for schools.	x							D17 (H)
	SATS Quality Assurance Framework	Opinion: Risk	High	Assess the effectiveness of the SATs quality assurance framework.	x							
	Safer Recruitment	Opinion: Compliance	High	Review of Manchester schools' compliance with safer schools recruitment requirements.	x					x	x	
	Free Early Education Entitlement (FEEE)	Opinion: Compliance	High	Assurance over child care providers' compliance with the requirements of the Manchester Early Education Provider Agreement.	x					x	x	
	Special Educational Needs (SEND)	Opinion: Risk	High8	Assurance over the SEND offer based on an assessment of areas of risk and concern. This may include local offer and Educational Health Care Plans (EHC).	x							D17 (H)
Procurement, Contracts and Commissioning (PCC)	Factory Project	Opinion:	High	Assurance over the selection and award of work packages within the development based on assessment of risk and grant certification.						x	x	

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
		Compliance and Governance										
	PCC Assurance Framework	Assurance: Review	High	Review, confirm and assess the organisational framework to provide assurance over procurement, contracts and commissioning activities.						x	x	7 (M)
	Decommissioning Contracts: Leaving Care	Opinion: System	High	Review of the approach taken to decommissioning of the Leaving Care Service contract including support for the transition. To include focus on lessons learned.	x						x	
	Framework agreement: Award and Selection	Opinion: Compliance	High	Assessment of compliance against framework rules in relation to the selection and award of call-off contracts							x	7 (M)
	Contract Management	Assurance: System	High	Block allocation of reviews to provide assurance over fundamental aspects of contract management including contract governance, compliance, cost control and performance management and control for a sample of contracts. To include: • Mental Health • Adult Residential Services • Children's Placements • Leisure	x	x		x		x	x	7 (M)

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
				• Thematic review of performance measures								
	Contracts Spend Review	Opinion: Compliance	High	Financial monitoring and cost control processes in place for the Council's contractual arrangements							x	
	Follow Up on Limited Assurance Opinions	Opinion: Compliance	High	A number of reviews to assess progress in addressing exposure to risk following limited assurance reports issued in 2018/19. This will include: • Contractor whistleblowing • Contractor Insurances • Contract Framework Governance • Taxi Framework • Highways Framework						x	x	
	Public Contracts Regulations	Opinion: Compliance	Medium	Review of compliance with elements of the Public Contracts Regulations.							x	
Growth and Neighbourhoods	Trading Standards	Opinion: System	Medium	Assurance of the effectiveness of the system for management of casework				x		x	x	
	Neighbourhood Investment Fund (NIF)	Opinion: Compliance	Medium	Assurance over compliance with the process for award and monitoring of funding provided by the NIF.				x		x	x	

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
	Casework Management: Flare upgrade	Assurance: Developing System	Medium	Assurance, advice and support over the development of an upgrade to the Flare case management system used across Neighbourhood Services.				x			x	
Strategic Development	Planning Applications	Opinion: System	High	Planning application are considered in line with local and national guidelines				x		x	x	
	Section 106	Assurance: System	High	That S106 planning obligations are met in line with agreements.			x	x		x	x	
	Disabled Facilities Grant	Opinion: Compliance	Mandatory	Mandatory work to certify the spend of the Disabled Facilities Grant		x		x			x	
Highways	Highways Assurance Framework	Assurance: Review	High	Review of the approach to risk assessment and sources of assurance				x	x	x		D6 (H) D12 (M)
	Highways Investment Programme Plan	Assurance: Compliance	High	Assurance that the investment programme is delivered in line with expectations of time, quality and cost.				x	x	x		D6 (H) D12 (M)
	GM Road Activities Permit Scheme (GMRAPs)	Opinion: System	Medium	Assess the adequacy and effectiveness of the GMRAP process.				x	x		x	D12 (M)
	Highway Grant Certifications	Opinion: Compliance	Mandatory	Annual certification of grants compliance based on identified need.							x	
Cross Cutting	Internal Audit assessment of approach and coverage of Strategic priorities	Assurance: Assessment	Medium	To carry out assessment of specific areas of strategic significance and assess approach which may include high level assurance or planned audit work for 2019/20 or 2020/21. Areas of focus include:		x	x	x		x		x

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
				- Approach to Neighbourhoods Delivery Strategy - Highways Service Redesign - Citywide Car Parking Provision - Work and Skills Strategy - Residential Growth Strategy - Modern Slavery – safeguarding in contracts - Homelessness: Strategy and Delivery - Project Management Methodology (Capital)								
Follow Up	Follow-up of audit recommendation implementation											
External Clients	Delivery of Internal Audit services schools, academies and other clients											
Brought forward	Completion of audits and investigations from 2018/19											

Audits assessed for inclusion in audit plan carried forward to 2020/21 planning considerations:

- Child and Adolescent Mental Health Services
- Foster Care Provision

Area and Allocation	Audit Title	Audit Type	IA Risk Assess	Proposed assurance to be obtained	1	2	3	4	5	6	7	8
• Recommissioning / replacement of OneSystem (Children's Services)												
• Youth Offending; Inspection Actions Implementation												
• Waste Disposal Charges												
• EU Exit – Procurement Compliance												
• Use of waivers and extensions in contracts												
• Capital (CAPPS) Framework contractor selection and award												
• Housing – Empty Homes strategy and approach												
• Community heating payments and control												
• Premises licensing and enforcement												
• Highways Projects: Financial Healthchecks												
• Digital Strategy												

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Audit Committee Progress Report and Technical Update
15 April 2019

Manchester City Council
Year ended 31 March 2019

M MAZARS

CONTENTS

Audit Progress

Appendix A – Technical Update

This document is to be regarded as confidential to Manchester City Council. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

MAZARS

AUDIT PROGRESS

Purpose of this report

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

This paper also seeks to highlight at Appendix A key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.
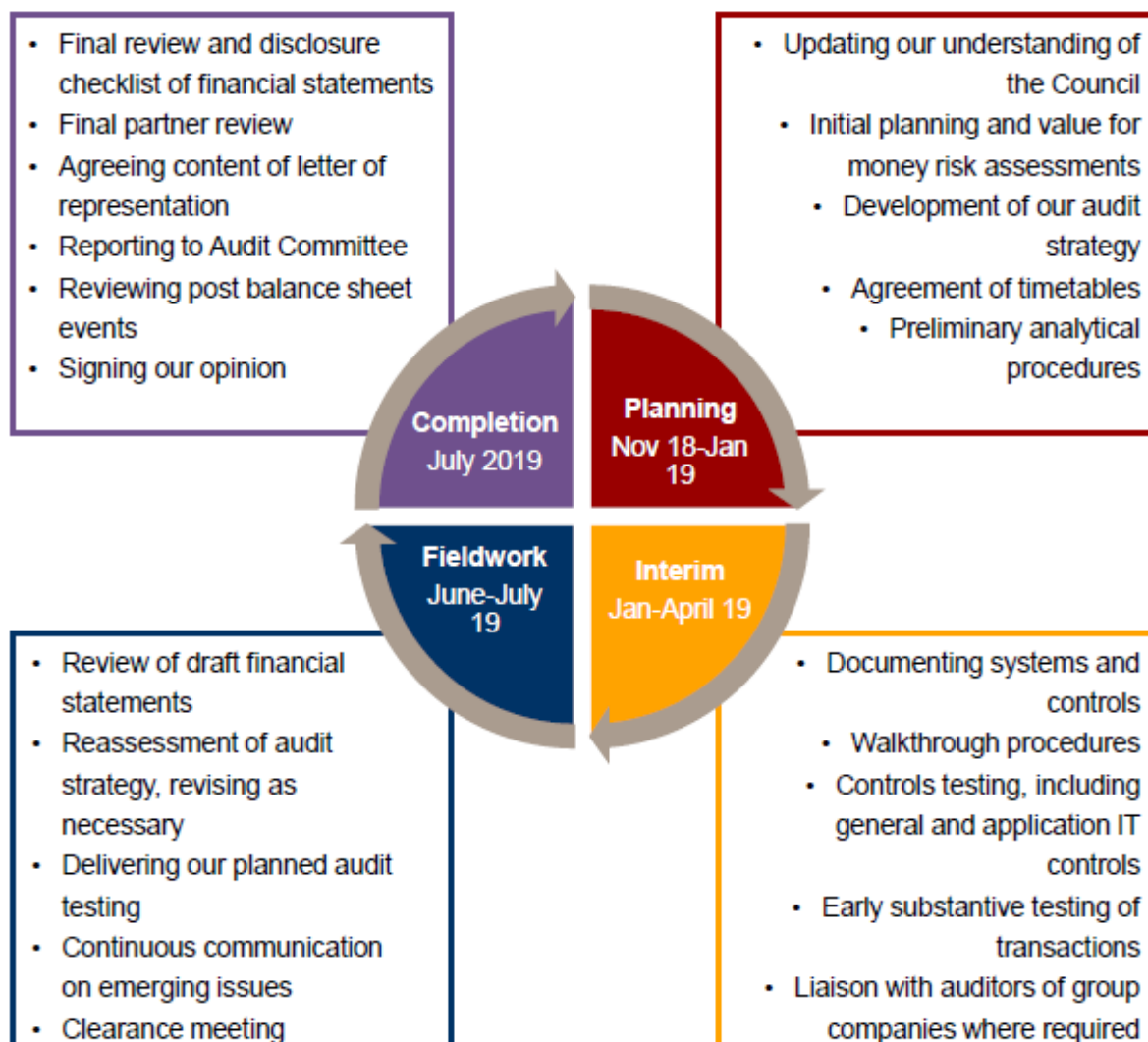
Audit progress

Since our last Progress Report to the Committee we have:

- continued to hold internal planning meetings as part of our planning process for the 2018/19 audit;

- continued to hold update meetings with the finance team in respect of planning for the 2018/19 interim and final audit visits;

- undertaken planning work to refresh our documentation in respect of the Council's systems (including walkthrough testing);

- performed early substantive testing of transactions (including payroll, fees & charges income, expenditure, housing benefits, financial instruments and land, buildings and heritage asset ownership and existence testing);

- arranged for our specialist IT auditor to review the IT environment relevant to our audit and carry out focused testing on general ledger controls;

- issued correspondence seeking standard audit assurances from Council management, Audit Committee and Council valuation experts;

- met with the City Treasurer to discuss wider developments at the Council relevant to our audit and VFM conclusion;

- updated our assessment and responses to VFM conclusion risks;

- met with the City Solicitor to discuss the Council's compliance with laws and regulations and audit matters;

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

M A Z A R S

AUDIT PROGRESS (CONT.)

Extract from Audit Strategy Memorandum showing audit timeline and deliverables:

Completion — July 2019
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

Planning — Nov 18-Jan 19
- Updating our understanding of the Council
- Initial planning and value for money risk assessments
- Development of our audit strategy
- Agreement of timetables
- Preliminary analytical procedures

Fieldwork — June-July 19
- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

Interim — Jan-April 19
- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions
- Liaison with auditors of group companies where required

Final accounts workshop

Officers attended our chief accountant's workshop which was held on 5 February. The event, which was free of charge, provided an opportunity for us to make you aware of technical issues early in order to support a smooth closedown and allow your finance team to raise any issues with our team in order to secure an early resolution. The event, which was attended by representatives from all councils in Manchester plus others provided an opportunity for finance professionals to network with colleagues.

Technical Update

Appendix A includes, for the Committee's information, summaries of recent technical and other sector publications (from Mazars, CIPFA, the NAO and the LGA) which we believe are relevant to your responsibilities. The reports covered in this appendix, and the key messages, are summarised overleaf. Please get in touch if there any reports which you would like to discuss further with the Mazars audit team.

MAZARS

Ref	Item	Summary
Mazars		
1	New NHS Long Term Plan	In this briefing on the new NHS long-term plan, Mazars have highlighted the implications of the plan for local government and the key questions that local authorities should be considering.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2	Proposed Financial Management Code for Local Government	CIPFA is seeking views on a proposed new Financial Management Code (CIPFA FM Code), which aims to drive improvement in financial management for all local authorities in the United Kingdom.
3	Social Care Risk Tool	CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.
4	CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements	This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting and Guidance Notes. It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes.
National Audit Office		
5	Planning for new Homes	This report is part of a series on housing in England, including Housing in England: overview (2017) and Homelessness (2017). The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.
6	March 2019 Round-up for Audit Committees	This interactive quarterly round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors.
Local Government Association		
7	Twenty-first Century Councils	Toolkit to help councils empower women, parents and carers to become local councillors and take on leadership positions.

MAZARS

This appendix includes, for the Committee's information, summaries of recent technical and other sector publications (from Mazars, CIPFA, the NAO and the Local Government Association) which are relevant to your responsibilities. Please get in touch if there any reports which you would like to discuss further.

1. Summary of NHS long-term plan, Mazars, January 2019

To support local planning, local health systems will receive five-year indicative financial allocations for 2019/20 to 2023/24 and be asked to produce local plans for implementing the commitments set out in the NHS Long Term Plan. But what does it mean for local government?

Relationships between the NHS and local government could be more challenging since the direct and significant financial relationship with the NHS through the Better Care Fund is facing an overhaul and the extent of structural overhaul facing the NHS, through the advancement of Integrated Care Systems, requires time and effort. We have set out below the significant points for local government to consider.

Theme	Key features	Implications and questions for local government
System Architecture and Planning	Integrated Care Systems (ICS) will be everywhere by April 2021 with the "'triple integration' of primary and specialist care, physical and mental health services, and health with social care" at a place level with commissioners sharing decisions on planning with providers. Each ICS will have a single set of commissioning decisions at the system level. This will typically involve a single Clinical Commissioning Group (CCG) for each ICS area with CCGs to become leaner, more strategic organisations working with partners, population health, service redesign and delivery of the plan. ICS constitution will involve a partnership board consisting of commissioners, trusts, primary care networks, non-executive chair and an accountable Clinical Director for each Primary Care network. There will also be a new ICS accountability and performance framework to provide a consistent and comparable set of performance measures. It will include a new 'integration index' to measure how joined up the system is. This is interesting as it's the public voice.	Integrated Care Systems will have a key role in working with local authorities at the 'place' level and, through the ICS governance structure, commissioners will make shared decisions with providers on how to use resources, design services and improve population health. A review and revision of the Better Care Fund may have direct financial implications for local authorities, particularly those arrangements where some Better Care Fund streams are used as support funding for social care services. The NHS Plan does recognise social care in terms of pressures it may create on the NHS and the need to continue to support local measures to address rising demand and costs through pooled budgets, personal health and social care budgets and cites the example of the NHS overseeing a pooled budget with a joint commissioning team (Salford model), where the Council Chief Executive is the accountable officer. A Green Paper is expected to provide further clarity.

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Theme	Key features	Implications and questions for local government
Prevention and Inequalities	From April 2019, Clinical Commissioning Groups (CCGs) will receive a health inequalities funding supplement, with the possibility of the commissioning of public health services, e.g. health visitors, school nurses, sexual health etc., to return to the NHS. A planned £30million investment in rough sleepers.	The onus to reduce health inequalities falls to local authorities with the NHS as support. How / will funding flow into local authorities via CCGs or will we need to wait until the next spending review? Investment in the health of rough sleepers is a short-term fix – the wrap around is for local authorities to work on housing, mental health, care and employment.
Out of Hospital Care - Primary/Community Services	There will be a greater proportionate level of investment in Primary care and Community Health Services: with ringfenced local funding equivalent to a £4.5billion increase by 2023/24. In return, the NHS Plan is expecting: Fully integrated community support with training and development of multidisciplinary teams in primary and community hubs, including community hospitals. Integrated teams of GPs, community services and social care. Urgent response and recovery support will be delivered by flexible teams working across primary care and local hospitals, including GPs, allied health professionals, district nurses, mental health nurses, therapists and reablement teams. More support for Care Homes to address hospital admissions and sub-optimal medication, with an Enhanced Care in Care Homes vanguard model is to be adopted that aims to improve the links between Care Homes and Primary Care through a consistent healthcare team and named practice support, pharmacist led medication reviews, emergency support, and access to records.	When care transfers into the community, there is an increasing need to manage the multiagency points of contact. Having integrated teams implies local authority care workers working alongside private sector GPs and NHS staff: how will referrals, care pathways and advice on alternative services, for example housing, be managed? This also raises the need for some joined up thinking over estates management and the infrastructure of public service assets – where should teams be based? Local authority supply management of care homes becomes more challenging: the resilience of local market is stretched with the cost of care not always making provision financially viable – will any additional funding merely bring back some stability falling short of ambitions for Enhanced Care? Technology becomes increasingly important including considerations for secure data sharing between organisations. Proposals to support advances in home wearables/monitoring technology to predict hospital admission, linked to smart home technology create new forms of the same challenge: who monitors the data and who is it shared with for the person's best interests? With an increase in social prescribing and personal health budgets, local authorities, including park authorities, can provide support through existing provision of leisure and community services. How can you create community engagement and healthier lifestyles?

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APPENDIX A – TECHNICAL UPDATE (CONT.)

Theme	Key features	Implications and questions for local government
Urgent/ Emergency Care	The goal is to achieve and maintain an average Delayed Transfers of Care figure of 4,000 or fewer delays. This aims to be achieved by placing therapy and social work teams at the beginning of the acute hospital pathway, with an agreed clinical care plan within 14 hours of admission that includes an expected date of discharge.	A direct and an indirect impact to local authorities for those residents in care or living in local authority housing. There becomes an increasing need for local authorities to dexterously call on partners across the local authority boundary, including the use of existing disabled facilities grant funding, to ensure people can return home safely. The Stoke-on-Trent based Revival Home from Hospital service is working at record levels and is saving the NHS almost £500,000 a year. The service helps people to get home from hospital as quickly as possible by making sure their homes meet their health needs.
Elective Care	An NHS Personalised Care model and expansion of Personal Health Budgets, for example bespoke wheelchairs and community-based packages of personal and domestic support, mental health services, learning disabilities, and those people receiving social care support. There is expected to trained social prescribing professionals connecting people to wider services.	Who is best placed to provide advice on connecting people to wider services? Who is well placed to deliver connected services and is there more space for framework contracts of approved providers for people to draw down from?

A summarised version of the Plan is available to download from our website:

https://www.mazars.co.uk/Home/Industries/Public-Services/Health/NHS-Long-Term-Plan-summary

MAZARS

APPENDIX A – TECHNICAL UPDATE (CONT.)
CIPFA

2. CIPFA's Proposed Financial Management Code for Local Government (March 2019)

CIPFA is seeking views on a proposed new Financial Management Code (CIPFA FM Code), which aims to drive improvement in financial management for all local authorities in the United Kingdom.

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, has not been supported by a professional code. CIPFA is now proposing that a Financial Management Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code would therefore for the first time set standards of financial management for local authorities in the UK.

The draft FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered by CIPFA necessary to provide the strong foundation within local authorities to enable them to:

- financially manage the short-, medium- and long-term finances
- manage financial resilience to meet foreseen demands on services
- financially manage unexpected shocks in their financial circumstances.

The draft FM Code is similar to other CIPFA codes and statements in that it is based on principles rather than prescription. Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the FM Code are being satisfied. The draft FM Code is not expected to be considered in isolation, and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making.

To date, the draft FM Code has been developed with a specified governance process which includes practitioners, auditors and representatives of governments across the UK. It was then 'road tested' by a range of local authorities to provide early evidence of both practicality and fitness for purpose. Now, CIPFA is seeking to consult more widely and consequently invites comments on the draft FM Code.

Demonstrating this compliance with the CIPFA FM Code is regarded as the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

The consultation document and response sheet can be downloaded at the following links:

https://www.cipfa.org/~/media/files/policy%20and%20guidance/consultations/cipfa_financial_management_code_draft_v10_consultation_version.pdf?la=en
https://www.cipfa.org/~/media/files/policy%20and%20guidance/consultations/fm_code_consultation_questions_final.docx?la=en

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APPENDIX A – TECHNICAL UPDATE (CONT.)

CIPFA

3. **Social care risk tool (February 2019)**

CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

The risk tool is available on CIPFA's website:
https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool

4. **CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements**

This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes. The updates include:

- Further practical guidance on the implementation of IFRS9 (financial instruments) and IFRS15 (revenue);
- Disclosure requirements and streamlining the accounts;
- EU Withdrawal (Brexit);
- Guaranteed Minimum Pensions; and
- Accounting standards that have been issued but not yet adopted.

The bulletin can be downloaded at the following link:
https://www.cipfa.org/~/media/files/policy%20and%20guidance/cipfa%20bulletins/cipfa_bulletin_03_closure_2018_19_final.pdf?la=en

MAZARS

APPENDIX A – TECHNICAL UPDATE (CONT.)

National Audit Office (NAO)

5. Planning for new homes (February 2019)

The NAO has recently published a report on *Planning for new homes.* This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017).* The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:
- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:
- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The data and the original March 2018 report can be found at the following link:
https://www.nao.org.uk/report/planning-for-new-homes/

MAZARS

APPENDIX A – TECHNICAL UPDATE (CONT.)

National Audit Office (NAO)

6. Round-up for Audit Committees (March 2019)

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors. This round-up is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. It includes an introduction by Sir Amyas Morse, Comptroller and Auditor General, and draws particular attention to publications most useful for governance, oversight and risk management. It is published each autumn and spring, covering NAO publications over the previous six months.

The detailed report can be found at the following link:
https://www.nao.org.uk/report/round-up-for-audit-committees/

Local Government Association

7. Twenty-first century councils (March 2019)

This toolkit has been developed to help councils create the underlying policies, procedures, ethos and environment that encourages and empowers women, parents and carers to become local councillors and take on leadership positions. The Local Government Association is encouraging councils to consider their existing practices, celebrate what is working, share good practice and take action to support councillors who are women, parents and carers. The equal participation of women and men in local politics, as our elected councillors and as our leaders, is an important condition for effective democracy and good governance. Representative councils are best able to speak to, and for, their communities and to support the effective business of local government. Democracy and decision-making are strengthened when councillors reflect the people they seek to serve and represent.
https://www.local.gov.uk/twenty-first-century-councils

M A Z A R S

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Audit Committee: Work Programme 2018/19

Item	Lead Officer	Position	Comments	AC ToR	Time on agenda
Meeting Date – 11 June 2019, 10am (Report deadline (12 noon) 31 May 2019) 95 minutes					
Internal Audit Annual Report	Tom Powell Kathryn Fyfe	Head of Audit and Risk Audit Manager	Report of internal audit activity for the year. *To consider and comment*	4.4	10
Draft Annual Statement of Accounts	Carol Culley Janice Gotts Karen Gilfoy	City Treasurer Deputy City Treasurer Chief Accountant	To report the Annual Accounts prepared for submission to the external auditor for review. *To consider and comment*	1	30
Revenue Budget Outturn Report	Carol Culley	City Treasurer	To report the revenue outturn for the year as reported to Executive. *To note*	1	5
Capital Budget Outturn Report	Carol Culley	City Treasurer	To report the capital outturn for the year as reported to Executive. *To note*	1	5
Response letters from City Treasurer and Audit Committee Chair to the External Auditor	Carol Culley	City Treasurer	Draft responses proposed to be issued to the External Auditor from the City Treasurer and the Audit Committee Chair for the audit of the accounts	1	5
Treasury Management (Outturn) Report	Carol Culley Janice Gotts Karen Gilfoy Tim Seagrave	City Treasurer Deputy City Treasurer Chief Accountant Finance Lead	To report the Treasury Management activities of the Council for the year. *To consider and comment*	4.11	10
External Audit Progress Report	Karen Murray	External Audit (Mazars)	Update from the External Auditor in the delivery of the external audit plan *To consider and comment*	4.7	5
Risk Review Item	Tom Powell	Head of Audit and Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk.	4.1	20

			To consider and comment		
Work Programme and Audit Committee Recommendations Monitor	Andrew Woods	Governance Team Leader			5

Audit Committee Terms Of Reference: As Constitution May 2017

1. To consider and approve the authority's statement of accounts, including the Annual Governance Statement in accordance with the Accounts and Audit Regulations 2015.

2. To consider, as soon as reasonably practicable, the annual letter from the external auditor in accordance with the Accounts and Audit Regulations 2015 and to monitor the Council's response to individual issues of concern identified

3. To consider the findings of the Council's annual review of the effectiveness of its system of internal control under the Accounts and Audit Regulations 2015, including the effectiveness of its system of internal audit

4. In furtherance of the Council's duty to make arrangements for the proper administration of its financial affairs and the Committee's responsibilities under the Accounts and Audit Regulations 2015 set out above:

4.1. To obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

4.2. To review and approve (but not direct) the terms of reference for internal audit and an Internal Audit Strategy.

4.3. To review and approve (but not direct) the internal annual audit programme considering the effectiveness of proposed and actual coverage in providing adequate assurance over the Council's arrangements for governance, risk management and system of internal control.

4.4. To monitor the implementation and outcomes of the Council's internal audit programme and where required, to review summary and individual audit reports with significant implications for financial management and internal control.

4.5. To seek assurance on the adequacy of management response to internal audit advice, findings and recommendations in the form of implementation of agreed action plans

4.6. To receive the Annual Report of the Head of Internal Audit

4.7. To consider the external auditor's annual letter, relevant reports and the annual report to those charged with governance on issues arising from the audit of the Statement of Accounts.

4.8. To engage with the external auditor and external inspection agencies and other relevant bodies to ensure that there are effective relationships between external and internal audit.

4.9. To make recommendations to the Chief Finance Officer and Monitoring Officer in respect of Part 5 of the Council's Constitution (Financial Regulations).

4.10. To consider the Code of Corporate Governance.

4.11. To monitor the performance of the Treasury Management function including:

- approval of / amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment.

4.12. To consider and advise the Council on the Annual Governance Statement.

Recommendations Monitor

Date	Item	Recommendation	Response	Contact Officer
22 March 2018	AC/18/15 Review of Effectiveness of Internal Audit	4. To request that the subsequent reports on the Review of Effectiveness of Internal Audit include recognition of the importance of the role of the independent members serving on the Audit Committee.	This will be reflected in the 2018/19 review to be presented to March or June 2019 Audit Committee.	Carol Culley City Treasurer
31 July 3018	AC/18/37 Annual Statement of Accounts 2017/18 and Letter of Representation	To request officers to refresh the description of the core functions of Council committees, as detailed in Appendix 2 of the report, and include this within the 2018/19 Statement of Accounts.	For inclusion in 2018/19 accounts to Audit Committee June 2019	Carol Culley City Treasurer
5 Nov 2018	AC/18/54 2018/19 Annual Governance Statement (AGS) – Summary of Progress to Date	To request that the **Annual Governance Statement** includes a response to concerns expressed regarding the consistency of the implementation of the Our Manchester behaviours across all areas of the Council's services and staff. To request that, as part of the **Annual Complaints report**, officers include details on the number of Freedom of Information and other subject access requests made to the Council and provide details of the average length of staff time taken to process a request and costs involved.		

11 February 2019	AC/19/04 Internal Audit: Manchester Support for Independent Living (MSIL) Risk Assessment and Audit Plan	To request the Head of Internal Audit and Risk Management to include a draft Annual Audit Plan Visioning report item in the Annual Work Programme 2019/20 for submission to the December 2019 meeting of the Committee.		
11 February 2019	AC/19/07 Health and Social Care Assurance Framework	To request that the minutes of the Manchester Local Care Organisation Audit Committee be submitted to the Audit Committee for information.		

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