

## **Manchester City Council Report for Information**

**Report to:** Audit Committee - 5 November 2018

**Subject:** Outstanding Audit Recommendations

**Report of:** City Treasurer / Head of Audit and Risk Management

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### **Summary**

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

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

### **Recommendations**

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

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### **Wards Affected: All**

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### **Background documents (available for public inspection)**

Documents used in the development of the assurance report include:

- Internal Audit Outturn Report 2017/18 (June 2018)
- Outstanding Audit Recommendations Reports to Audit Committee July 2018

## **1 Introduction**

- 1.1 Audit Committee are provided with regular reports on actions taken to address outstanding high priority recommendations made by both Internal and External audit. Audit Committee have agreed to focus on agreed actions which had not been implemented within nine months of the due date. Where this is the case the relevant Strategic Director and Executive Member are to attend Audit Committee to explain the reasons for delay and to confirm proposed actions.
- 1.2 Details of progress on all individual outstanding recommendations are provided to Strategic Management, Executive Members and Audit Committee to enable oversight of progress to address exposure to risk. High priority represents those recommendations classified by Internal Audit as significant, major and critical and deadlines are those agreed with the business at the time of the audit. This report provides these details.
- 1.3 The report focuses solely on Internal Audit recommendations as there are currently no External Audit recommendations outstanding.

## **2 Process**

- 2.1 Internal Audit follows up management actions agreed in response to high priority recommendations made in both internal audit and external audit reports. Management are asked to provide updates as actions are progressed and when completed and Internal Audit follows up formally at least quarterly to provide independent assurance that progress is being made. Management are required to provide evidence to support and confirm implementation to enable an assessment of sufficiency of actions taken. Internal Audit consider this evidence and may re-test systems and controls on a risk basis to provide assurance that agreed improvement actions have been implemented and are operating effectively.
- 2.2 Progress made in the implementation of agreed actions from audit reports is reported quarterly to Directorate Management Teams (DMTs), Senior Management Team (SMT) and Audit Committee. For any high priority recommendations over six months old Executive Members are notified for information. At nine months overdue, Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and any actions being proposed to address or accept the reported risks.
- 2.3 If recommendations are not implemented within 12 months of their due date and subject to any additional requirements or actions agreed by Audit Committee, Internal Audit refer the risks back to Strategic Directors to consider as part of their own assurance risk assessment.
- 2.4 Strategic Director assurance over the implementation of recommendations is also obtained as part of annual governance statement questionnaires completed by all Heads of Service, the results of which are summarised in the Council's Annual Governance Statement.

### **3 Current Implementation Position**

- 3.1 The position in terms of high priority internal audit recommendations is summarised below and provided in more detail in the appendices attached to this report.

#### **Implemented Recommendations (Appendix 1)**

- 3.2 Since the last update in July 2018 Internal Audit has confirmed that there have been eight high priority recommendations implemented in seven audits as follows:

- Income and Debt Management: Investment Estate (1)
- North West Foster Care Framework Contract Monitoring Review (1)
- Multi Agency Safeguarding Hub (2)
- Homecare Services Contract Management (1)
- Social Transport: Contract Management (1)
- Information Governance in Schools (1)
- Data Analysis: Mobile Devices Billing and Usage (1)

#### **Outstanding Recommendations**

- 3.3 In total 24 recommendations in 14 audit reports are currently overdue past the agreed implementation dates as follows:

- 5 recommendations have been outstanding over nine months
- 2 recommendation is six to nine months overdue
- 17 recommendations are between one and six months overdue

- 3.4 Internal Audit has provided updates on the status of all recommendations where appropriate in the latest DMT assurance reports or in correspondence and continue to liaise with management to establish progress and evidence of implementation.

#### **Overdue More than Nine Months (Appendix 2)**

- 3.5 There are three audits where five recommendations have reached nine months or more overdue.
- 3.6 On Events Management two actions have been partially implemented with revised timescales set for implementation by the end of November 2018. Management have advised this has been a consequence of pressing deadlines for the delivery of the events programme of the Summer of 2018. The Chief Operating Officer (Neighbourhoods) will attend the Committee to provide an update on actions being taken in response to these recommendations.
- 3.7 The Deputy Director of Children's Services provided an update to Audit Committee in July. For the North West Foster Care Framework Contract

Monitoring Review one recommendation remains partially implemented and for the Multi Agency Safeguarding Hub two are partially implemented. Further Internal Audit review is planned in November to confirm progress made in responding to risks in these reports. It is hoped that this will provide sufficient assurance for the agreed actions to be confirmed as complete. An updated position will be reported to Audit Committee in January 2019.

### **Overdue for 6 – 9 months (Appendix 3)**

- 3.8 Two recommendations have been overdue for between six and nine months in two reports.
- Expenses: Compliance (1, partially implemented)
  - Data Analysis: Mobile Devices Billing and Usage (1 partially implemented)

### **Overdue less than 6 months (Appendix 4)**

- 3.9 17 recommendations have been overdue for between one and six months in nine audit reports. Some of these reports also include additional recommendations which have not yet fallen due or include moderate risk recommendations and all have agreed action plans. These continue to be a focus of Internal Audit monitoring and some have only recently become overdue. The recommendations are all shown in appendix four and relate to the following reports:
- Retail Markets (1)
  - Art Gallery Contract Management (4)
  - Contract Creation and Formalisation (1 partially implemented)
  - Homecare Service Contract Management (1 partially implemented)
  - HROD Contract Management (2 partially implemented)
  - SAP Expenditure Approval (1, partially implemented)
  - IR35: Compliance Audit (2, both partially implemented)
  - ICT Software Licensing (1)
  - Liquidlogic: Data Migration and Testing, Phase 1 (4)

## **4 Recommendations**

- 4.1 Audit Committee are asked to note the current process and position in respect of high priority Internal Audit recommendations.