

**Manchester City Council
Report for Information**

Report to: Audit Committee - 19 January 2021

Subject: Internal Audit Assurance Report 2020/21

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

Summary

The Internal Audit Section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the Council. This work culminates in the Annual Head of Internal Audit Opinion and an Annual Assurance Report.

This report provides an update of progress on the agreed audit plan 2020/21; additional work assigned to the audit service and copies of the audit opinions issued in the period August to December 2020.

Recommendations

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

Wards Affected: All

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Background documents (available for public inspection): The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to four years after the date of the meeting and can be accessed on the Council website:

- Internal Audit Plan 2020/21 (Audit Committee meeting July 2020)
- Internal Audit Assurance Report (Audit Committee September 2020)

- Outstanding Audit Recommendations Report (15 September 2020)
Internal Audit Assurance Report April to December 2020

1 Introduction

1.1 This report provides a summary of the work of the Internal Audit Section since April 2020 and specifically the report includes copies of executive summaries and assurance opinions from completed audits finalised between August 2020 and December 2020.

1.2 Appended to this report are:

- Appendix One: Delivery status of the annual audit plan 2020/21
- Appendix Two: Executive summaries August to December 2020
- Appendix Three: Basis of Audit Assessments (Opinion/Priority/Impact)

2. Audit Programme Delivery

2.1 The following is a summary of progress against the 2020/21 audit plan.

Audit Status	2020/21 Audit Plan Status At December 2020
Final Report	8
Draft Report	0
Fieldwork Completed	7
Fieldwork Started	4
Planning	11
Not started	18
Totals	48
Cancelled / Deferred / Re-scoped	0

2.2 Outputs include audits and briefing notes, as well as advice, guidance and support to management where captured in formal reports. It includes counter fraud investigations where there is a formal was report issued but does not include all casework outcomes.

2.3 The annual audit plan initially assumed 48 individual or block outputs in the year as agreed at Audit Committee 28 July 2020. The total number of individual audits and assurance activities varies as blocks of time assigned to areas of risk are scoped and drawn down as required and resources and priorities are assessed in year. Work is now underway to consider scope and timing of priority audit work based on the resources for quarter four and the additional work identified.

2.4 In the year to date there have been five main areas of focus in line with the agreed audit plan and Covid response and support activities. Specifically work

has included:

- audit advice and guidance to support managers in the response to risks emerging from Covid19 including changes in systems of internal control.
- administration of urgent business rates relief, grants and discretionary support, where auditors have supported design of the schemes; checked and validated applications and payment runs; and investigated issues of potential fraud and error;
- development and delivery of arrangements for the Manchester and Trafford PPE Hub to support the receipt and distribution of equipment;
- completion of audit work from the 2019/20 audit plan; and
- progress toward completion of audits from the agreed 2020/21 audit plan.

- 2.5 The plan assumptions have been impacted by the further spikes in covid19 infections and the additional local and national lockdowns established in response to the pandemic. This longer, deeper impact of the pandemic has impacted the scale and complexity of ongoing business grants and other covid19 support work required of the service as well as the ability of clients to provide the capacity necessary for the scoping, planning and delivery of audit work. This has impacted the ability to deliver planned audit work but has helped the Council in its response to critical and urgent risks.
- 2.6 The emergence of further covid19 grant schemes to provide ongoing support to local businesses in quarter three has required audit guidance and direct support, building on the systems the team put in place to support timely and accurate processes for payment. This work and in particular the follow up of potential fraudulent requests for payment is expected to continue beyond March 2021.
- 2.7 Additional work emerged with the agreement of a national scheme of winter support for children and vulnerable families. In Manchester this included the provision of supermarket vouchers and support to c30,000 children for the Christmas half term. Audit supported the Director of Education and were heavily involved in developing the systems and processes for this scheme and in managing arrangements for the collection and distribution of vouchers to schools. This utilised the team's knowledge of cash controls and of arrangements for management of systems in schools. It was completed successfully in December and a second tranche of support is planned to be delivered by the end of February 2021.
- 2.8 The team has also been asked to provide assurance and involvement in the design of a further covid relief scheme for vulnerable children which will support with payments to help families with funding towards winter fuel payments and other essential spending. This is being led by the Deputy Director of Children's Services and is expected to result in urgent payments being approved via professionals working with children across schools, early years and other settings.
- 2.9 The sections below describe the progress against the agreed annual audit plan 2020/21 and provide a view on the deliverables which can be achieved to year

end.

3 Resourcing and Plan

- 3.1 Alternative staffing have been appointed to support the PPE Hub enabling audit input to be reduced to 0.5 FTE although this level of ongoing input is expected to continue to year end to provide continuity in a number of aspects of the operational management and support for this essential service.
- 3.2 The service has been impacted by one long term sickness absence over the last six months and although this officer is on a phased return to work this has impacted on capacity as is the necessity to be flexible in supporting officers who are currently supporting children with learning from home.
- 3.3 A direct reach out to finance in quarter three was unsuccessful as no staff were able to be made available at that time to support audit resources. A reach out across all of Corporate Services has since been issued with the aim to secure up to three additional staff to support audit work in the remainder of the year and into 2021/22 pending recruitment to permanent posts following completion of a service and savings review.
- 3.4 Even with additional audit resources it will remain a challenge to complete all planned audit work by year end as a consequence of client availability given the continued focus on covid response and recovery which is acute across all areas of the Council and particularly within front line services in adults, health and care; children's services; and schools. Where possible such audits are being delivered remotely but this does increase the time taken to complete and is dependent on the capacity of colleagues in these services to support the planning and delivery of audit work. A review session with Adults is planned for 12 January focused on the Improvement Plan and sources of assurance that could be utilised to inform audit work and assurance reporting to key stakeholders including Audit Committee.
- 3.5 In addition to plans to increase internal resources, Internal Audit have secured support from the Salford City Council ICT audit team to deliver planned audit work and assist in the development of an ICT assurance map; and are in the process of agreeing additional external resources to deliver an additional review of capital programme project and cost management arrangements.

4 Children's Services

- 4.1 Children's Commissioning. There are two audits underway in this area. One is a short piece to examine progress in the work underway to strengthen Commissioning in Children's Services including the framework; roles and means for review and monitoring. The second being run concurrently is a system audit of the Children's Placement Finding process for looked after children examining the policy and procedures, discharge of roles, and effectiveness of reporting to support review and decision making. This audit will examine the process from request to find a suitable placement for a child

to the point of contract and fee agreement reflected on Controc. These audits will be reported at the end of January 2021.

5 Education and Schools

- 5.1 **Schools' Financial Health Checks** There are four schools currently being audited: Chapel Street Primary School; St Matthew's High School; St Bernard's Primary School and Newall Green Primary School. Fieldwork has been completed remotely and it is planned that outcomes will be reported in January following some delays because of staff sickness absence.
- 5.2 Two schools are in the process of having follow up audits carried out based on limited opinions issued during the year and a third is planned. Work is complete at Benchill Primary School where most actions are considered to have been completed to address risk and seek to embed improved controls and the current position will be reported by the end of January. Information about progress being undertaken at Lily Lane Primary school has been provided to Internal Audit and will be followed up this month to confirm that key risks are being addressed.

6 Health and Care (Adult Services)

- 6.1 Planning for work across Adults services has been delayed due to the requirements of officers and managers to support the ongoing covid19 response. A planning session on the improvement plan on 12 January and session with Directorate Leadership Team on 15 January are scheduled to commence the detailed planning on areas of work that can be prioritised for audit review by year end and into early 2021/22.

7 Corporate Core and Information Governance

- 7.1 Internal Audit has diverted to support key business areas of focus during the COVID-19 pandemic. Most notably for the Core, this has comprised a substantial input into the central government business grants schemes. A pre and post payment checking regime has been in operation to provide assurance to managers that proposed awards are in compliance with scheme criteria and to prevent duplication of claims. We estimate that approximately £650k of proposed payments requested under the Small Business, Retail, Hospitality and Leisure, and Discretionary Grant Schemes were not made as a result of audit checks for fraud or potential error.
- 7.2 Initial schemes have now closed but Internal Audit will continue to work on this throughout the year, with targeted work planned to reconfirm validity of awards post payment in line with Central Government funding requirements. The audit counter fraud team are also investigating a significant number of allegations and indications of potential fraud or irregularity in this area.
- 7.3 We are now focused on pre-payment checks in relation to the Local Restrictions Support Grant and the Additional Restrictions Grant. These grants continue to be payable to businesses periodically while the City

remains in Tier 2 or above. Further work is now anticipated in light of the announcement of national lockdown and the related new financial support schemes announced.

- 7.4 **Grant Certifications.** Internal Audit has progressed with two grant certification, completed in line with deadlines stipulated by the European funding bodies.
- 7.5 **Cyber Security – Follow Up.** A follow up review confirmed that while one action remains outstanding seven others have been fully implemented addressing the risks noted in the original report.
- 7.6 **Public Service Network (PSN) –** Internal Audit formed part of the PSN Compliance Project, led by ICT as a proactive precursor to the annual IT Health Check; to ensure the Council retained its right to be connected to / consume government information. The Council must possess this connection compliance certificate before in can connect to the PSN – also known as the Code of Connection (CoCo). PSN requested that this health check be reperformed to include connectivity through our new Data Centres.
- 7.7 The project ran from June to November 2020 and achievement of the project objectives, overseen and verified by audit, provide significant assurance as to the effective control of network vulnerabilities.
- 7.8 The project was successful in delivering against its brief and closed 92% of all vulnerabilities, including a significant reduction in critical and high priority vulnerabilities that will contribute to the retention of the current PSN Certification and the creation of a more secure ICT infrastructure environment. A remediation action plan (RAP) is being taken forward by the Cyber Security team to address the remaining known vulnerabilities (8%).
- 7.9 At the time of writing this committee paper the final official submission for the PSN CoCo was in progress and will require sign off by the Council's Senior Information Risk Officer, prior to submission.
- 7.10 **LiquidLogic and Controcc – IT Health Check -** Internal Audit were asked by the Deputy Director Adult Social Services and Project Lead to provide input and oversight into an IT Health check review commissioned by Adults Services and ICT. This review health check focused specifically on the payment to provider workflow and was commissioned to identify areas of improvement in terms of process and workflow, as well as increasing the internal skills, knowledge, and capability in relation to the development and production management reports. Audit's role was to input to the scoping and assess the outcomes of the review and how these were to be taken forward.
- 7.11 The health check concluded in October with the providers producing an outcome report and several management reports which identified where accumulations of work were occurring in the workflow, why and how these impacted on the ability to pay providers. These reports also highlighted progress over recent months and the ongoing improvement as well as making

several recommendations to improve process and workflow further, including improvements in configuration, data quality, contract management and commissioning and payment method management.

- 7.12 The outcomes of the Health Check have been reviewed, with the critical recommendations forming part of an overall Stabilisation Plan, led by the Deputy Director Adult Social Care to improve the use of technology and how our people and processes interact with this. Internal Audit will continue to engage with the project to assess progress in relation to implementation of these recommendations and their impact on improving the payment process. A briefing note will be written for senior management summarising these points and an update provided to the next Committee meeting.

8 Neighbourhoods; Growth and Strategic Development

- 8.1 **Civic Quarter Heat Network.** An assessment of the current and proposed arrangements for the development and operation of the CQHN was carried out. Internal Audit held a risk facilitation session with board members, reviewed key documents and discussed progress with key stakeholders. At the time of the review work continued to novate the Design Build Operation and Maintenance contract from the Council and Project Board members acknowledged that lessons had been learned and steps taken to strengthen overall governance of the project to ensure that key documents, agreements, and principles could be agreed.
- 8.2 Overall, we provided reasonable assurance over the governance structure in relation to the CQHN companies and project controls supporting delivery. We shared the Board's opinion that many improvements had been made to assist project oversight and control in the last 12 months addressing some omissions from the construction phase and that there are remaining actions that need to be completed that are essential to the mitigation of risks. We are assured through engagement with the Commercial Governance PMO Lead and members of the Project Team that these actions, including appointment of specialists advisors and strengthening of the Board are underway and will follow up to establish the latest position at year end.
- 8.3 **Disabled Facilities Grant.** The DfG was certified in line with requirements and there were no significant matters reported

9 Procurement, Contracts and Commissioning (PCC)

- 9.1 **Use of Waivers and Extensions.** We provided a reasonable level of assurance over the design and application of controls to ensure the appropriate use of waiver exemptions. There was evidence that active decision making continued despite the impact of Covid19 and a new paperless approach was adopted quickly and did not compromise the evidence trail to support decisions. The electronic process not only reduced the need for paper records but also helped to ensure delays in processing requests and resolving queries were reduced. There was evidence of scrutiny and challenge by the Deputy City Treasurer ahead of authorising and signing

off waiver requests and in some cases led to improvements being made to the level of detail provided in the procurement template forms.

9.2 Audit sample testing highlighted a number of compliance issues. Whilst the newly adopted, digitised process was still in its infancy the core details required in waiver forms and the level of approval required had not changed. We recommended further work to strengthen the evidence provided to support requests and to maximise compliance and reduce the number of queries raised at the approval stage. Some analysis had been undertaken by the Integrated Commissioning and Procurement team and reported to the Commercial Board which is a positive step and demonstrates transparency. We consider that now that a baseline has been captured momentum should not be lost and more frequent further analysis should be undertaken. This will allow for analysis at a macro level and will help to provide assurance over whether the use of waivers is reducing on a directorate basis and allow for the identification of any patterns or themes.

9.3 **Agency Supply Framework – Contract Management Arrangements.** The current contract management arrangements over the agency supply framework were reviewed following a number of issues concerning the timeliness, accuracy and approval of timesheets and subsequent delays to the billing of time worked. Internal Audit concluded that there was a need for more effective contract management and oversight given the recent decision to extend the use of the Framework beyond January 2021. Management recognised the range of issues and the review made a number of suggestions to address strengthening the Framework' in terms of controls and assurances. This included reconfirmation of the responsibilities and expectations in the day to day operation of the Framework ahead of the extension period commencing; how the payment process could be supported by timely, meaningful reconciliations; and a need for greater tracking of any contract related risks and issues along with their escalation where needed. Given the reputational, legal and financial risks associated with the previous issues encountered the Council requires regular ongoing assurance that the Framework is fit for purpose and that it meets and continues to meet the outcomes of the Framework. The financial value of this Framework is significant and the resource assigned to monitoring this effectively should be proportionate.

9.4 **Supplier relief and supplier resilience.** Work is in progress to assess the effectiveness of the process for recording supplier relief arrangements, where advance or additional payments were made to suppliers in line with amended procurement regulations. The work includes a review of guidance, records supporting the levels of relief granted, transition plans and management information. Concurrently we will review supplier resilience assurance to assess the arrangements in place to ensure that effective assessment of suppliers' financial resilience is carried out during the life of a sample of contracts.

**10 Counter-Fraud and Investigations
Proactive. Business Grant Payment Schemes**

- 10.1 During 2020/21 officers have been supporting colleagues within Revenues and Benefits and Finance in the processing of business grants; specifically small business grant, retail, hospitality and leisure discretionary grant and more recently grant payments associated with Tier 2 and above. This work has included establishing and rolling out pre-payment checks aimed at reducing both duplicate payments and payments made to companies that are no longer solvent or have been dissolved. To date this work has prevented at least £650k of payments from being made in error or as a result of fraudulent applications. These pre-payment checks are continuing on the new grant payments introduced in November and those announced in January 2021.
- 10.2 Currently Internal Audit have received 90 referrals of fraud or irregularity in relation to the business grants scheme. Investigation work on these is currently ongoing and where appropriate Internal Audit are liaising with the police and other external stakeholders, particularly where these cases appear to be linked or have links to organised crime.
- 10.3 Work is currently being finalised to develop and confirm the post payment checks to be conducted and it is proposed that work will commence on these shortly in line with Central Government requirements.

Proactive. National Fraud Initiative

- 10.4 Internal Audit have continued to liaise with officers across the Council to co-ordinate the current NFI exercise 2020/21. Where required data uploads in relation to the 2020 programme have taken place during the quarter to December. Further uploads are planned for the period to March 2020 in-line with the NFI timetable.

Reactive

Council Tax Reduction Scheme, Housing Tenancy, Right to Buy and NNDR

- 10.5 A total of 60 referrals of fraud or irregularity in relation to Council Tax Reduction Scheme have been received in the year to date. There have been 31 referrals received in relation to Housing Tenancy and Right to Buy. These figures are broadly in line with previous years. Due to the additional work being undertaken to assist with business grants and the resulting pressure on resources, corporate and business grant referrals are being prioritised over Council Tax and Housing Tenancy cases at present. This position will continue to be reassessed during the year as part of resource planning to risk.

Corporate Cases

- 10.6 Internal Audit have received 35 referrals of potential fraud or irregularity during the year to date. Of these six were considered whistleblowing allegations made either anonymously or from a named source and have been handled under the Councils Whistleblowing Policy and Procedure. The nature of this

work has remained consistent and include concerns raised in a number of key risk areas including staff conduct, contractor conduct and performance, ethics and behaviours, employee compliance with procedures and theft from schools.

11 Recommendation Implementation

- 11.1 Internal Audit continued to monitor implementation of recommendations and following significant focus on Covid19 activity services have now started to reengage with Internal Audit to enable pragmatic review of outstanding recommendations and required actions in light of current risks and changes in operational priorities and processes.
- 11.2 A review of progress to implementation of recommendations in Adults Services was reported to Audit Committee in November 2020 and a number of recommendations were reassessed as implemented; superseded or to be included in the Impower service review. A review of remaining recommendations will be undertaken as part of that process.
- 11.3 The number of critical, major or significant priority recommendations fully implemented was 71% and represents positive progress from the last period. Evidence of implementation and work to enable actions to mitigate risks had been provided on a number of long standing recommendations and additional work to carry out planned follow audits in quarter four will enable further actions to be assessed. A further 12% of recommendations were partially implemented at the time of our assessment.
- 11.4 Overdue recommendations are reported in more detail to Strategic Directors and Executive Members as required and in a separate report to Audit Committee quarterly providing details of the status of high risk and overdue priority recommendations and the actions being taken to address risk.

Critical, Major or Significant Priority Recommendations by Directorate

Directorate	Number Due	Implemented	Partially Implemented	Referred Back to the Business	Outstanding
Corporate Core	38	29	3	3	3
Children's Services	25	20	0	0	5
Adults, Health and Care	29	12	10	0	7
Neighbourhoods, Growth & Strategic Development	20	18	0	0	2

Total	112	79	13	3	17
		71%	12%	2%	15%

11. Recommendation

- 11.1 Audit Committee is requested to consider and comment on the Internal Audit Assurance Progress Report to 31 December 2020.

Appendix One: Audit Status, Opinions and Business Impact 2020/21

Audit Area	Audit Status	Assurance Opinion	Council Business Impact
Children's and Education Services 2020/21			
Newall Green Primary School	Fieldwork Complete	Set at Draft	Low
St Bernard's Primary School	Fieldwork Complete		Low
Chapel Street Primary	Fieldwork Complete		Low
Benchill Primary School Follow Up	Fieldwork Completed		Low
St Matthews High School	Fieldwork Started		Low
Lily Lane Primary School Follow up	Fieldwork Started		Low
St Margaret's Primary School - Follow Up	Not Started		Low
Children's Services Management and Oversight and Supervisions			High
Children's Quality Assurance Framework (QAF)			High
Education Services Assurance - block			High
Planning for Permanence – Follow Up			High
Health and Care (Adult Services) 2020/21			
Health and Social Care: Assurance Framework Review	Scope under review in light of Impower Service Review		High
Adults Services Quality Assurance Framework (QAF)			High
Strength Based Approach			High
Adults Supervisions and Management oversight			High

Audit Area	Audit Status	Assurance Opinion	Council Business Impact
Integrated Neighbourhood Teams (MLCO)	Not Started		High
Health and Care Commissioning including MHCC			High
Health and Social Care: Governance (MHCC)			High
Mental Health Casework Compliance			High
Hospital Discharges			High
Corporate Core and Information Governance 2020/21			
Grant Certification: ABCitiEs 21 July 2020	Delivered	Certified ●	Low
Grant Certification: Zero Climate Change (ZCC) 30 June 2020	Delivered	Certified ●	Low
ICT: Cyber Security: Follow up 18 August 2020	Delivered	Implemented ●	High
PSN: April 2020 CoCo Return 30 April 20	Delivered	Briefing Note – Positive Assurance ●	
Early Years and Education System implementation (EYES)	Fieldwork started	Advice and Guidance	
GDPR: Data Protection Impact Assessments Follow Up	Fieldwork Completed	Set at Draft	
ICT Health Check LiquidLogic and Controc	Fieldwork Started	Briefing Note	
ICT Assurance Mapping	Planning	Briefing Note	
Core Financial Systems –Block	Planning	Set at Draft	High
Budget review and Medium Term Financial Strategy			
Officer Decision Making			
Climate Change Response			
Recovery work streams / projects – Contingency Support Block	Not Started		High

Audit Area	Audit Status	Assurance Opinion	Council Business Impact
Annual Governance Statement / Register of Significant Partnerships			Medium
Our Town Hall			High
Loans and Grants: Due Diligence			High
Grant Certification - Block			High
Core Financial Systems – Block	Being drawn down		High
ICT Audit – Block			High
Neighbourhoods; Growth and Development 2020/21			
Civic Quarter Heat Network (CQHN) 19 November 2020	Delivered	Advice and Guidance	
Disabled Facilities Grant: Certification 21 October 2020	Delivered	Grant Certification Certified ●	
Highways Maintenance Grant	Fieldwork started	Grant Certification Certified ●	
Northern Gateway	Planning	Set at Draft	
Northward Housing (ALMO)	Planning	Set at Draft	
Governance and Management of Major Projects	Not Started		High
Highways Programme and Project Assurance			High
GMCA - Growth Deal			Low
Procurement, Contracts and Commissioning 2020/21			
Use of Contract Extensions and Waivers 26 October 2020	Delivered	Reasonable	High
Agency Supply Framework 23 November 2020	Delivered	Briefing Note	
Children's Commissioning – Strategy	Fieldwork Complete	Briefing Note	
Children's Placements – Commissioning and Contracts	Fieldwork Complete	Set at Draft	High

Audit Area	Audit Status	Assurance Opinion	Council Business Impact
Supplier Relief Arrangements	Planning	Set at Draft	High
Supplier Resilience Assurance	Planning	Set at Draft	High
Factory Project	Not Started		High

Appendix Two: Audit Report Executive Summaries (Opinion Audits)

The following Executive Summary has been issued for the one audit opinion review finalised since February 2020 and is attached below for information.

Reference in Appendix	Audit Area
ES 1	Use of Waivers and Extensions

Internal Audit Report 2020/21**Corporate Services – Integrated Commissioning and Procurement****Use of Waivers and Extensions****Distribution - This report is confidential for the following recipients**

Name	Title
Peter Schofield	Head of Integrated Commissioning and Procurement, Responsible Officer
Janice Gotts	Deputy City Treasurer, Accountable Officer
Mark Leaver	Strategic Lead, Integrated Commissioning
Paul Murphy	Group Manager
Kath Smythe	Our Transformation Strategic Lead
Yvonne Campbell	Programme Manager, Business & Corporate Services
Councillor Leese	Executive Member
Joanne Roney	Chief Executive
Carol Culley	Deputy Chief Executive and City Treasurer
Fiona Ledden	City Solicitor
Simon Livesey	External Audit (Mazars)

Report Authors

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Draft Report Issued	8 October 2020
Final Report Issued	26 October 2020

Executive Summary

Audit Objective	Assurance Opinion	Business Impact
To provide assurance over current waiver arrangements and controls ensuring appropriate use of waiver exemptions.	Reasonable	High
Sub objectives that contribute to overall opinion		Assurance
Roles, responsibilities and expectations are clearly defined and understood.	Reasonable	
Systems and processes ensure compliance with waiver requirements.	Substantial	
Arrangements are in place for monitoring and analysing waiver activity across the Council.	Reasonable	

Key Actions	Risk	Priority	Planned Action Date
Not applicable	Critical	3 months	None
Not applicable	Significant	6 months	None

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

1. Audit Summary

- 1.1. Work has recently been undertaken to refine and improve the Council's waiver process which has included the introduction of a paperless approval process. Following these changes and given the impact Covid19 has had on the Council's priorities and operations Internal Audit agreed to provide some independent assurance over the use of waivers and contract extensions. Given the inherent financial, legal and reputational risks associated with waivers and contract extensions we classified this area as having a high business impact.

2. Conclusion and Opinion

- 2.1. We are able to provide a reasonable level of assurance over the design and application of controls to ensure the appropriate use of waiver exemptions.
- 2.2. Historically there were significant concerns over the volume and value of waivers and as a result this area has been subject to a proactive strategy to refine the process and reduce the need for the use of waivers. Internal Audit can see a positive direction of travel in addressing risks in the system and acknowledge the work undertaken to strengthen governance and decision making through the application of greater scrutiny and challenge by senior managers before approving waiver and contract extension requests.
- 2.3. The drive by the Integrated Commissioning and Procurement team to improve the skills and knowledge of contract and commissioning officers along with supporting directorates to develop commissioning pipelines should also help to reduce the volume of waivers further as the actions embed. The need for contract savings has brought a greater focus from directorates on their contract portfolios and this should have a positive impact on reducing the number of waiver exemptions as a result of improved planning.
- 2.4. One of the key changes to the process was for waiver approvals to be undertaken electronically and this development was accelerated by the impact of Covid19 as officers were no longer present in offices. We consider that the revised process is fit for purpose and enables these procurement decisions to progress more efficiently whilst still maintaining an adequate and appropriate audit trail for key decisions. Key waiver/procurement forms and reports are stored in a Google folder with restricted access and contained pdf copies of emails to confirm approval and are retrievable.
- 2.5. Whilst our sample testing highlighted the need for some improvements to enhance the current process we recognise and support the ongoing work being driven by the Transformation Team (Strengthening Accountability Workstream). The Workstream is reviewing how the Council can improve how it buys goods and services with the aim of simplifying and streamlining ways of working for systems and processes and this includes the use of waivers.

3. Summary of Findings

Key Areas of Strength and Positive Compliance

- 3.1 All waiver requests in our sample were compliant with at least one of the waiver exemption categories cited in the Constitution demonstrated in the records examined. The correct approval was obtained in advance of the waiver and procurement in 23 of 25 cases. In two cases the appropriate level of approval had not been given as the higher approval threshold had not been recognised at the time. When this matter had been identified within the business subsequent retrospective approval was sought and obtained. There was evidence of scrutiny and challenge by the Deputy City Treasurer ahead of

authorising and signing off waiver requests and in some cases led to improvements being made to the level of detail provided in the procurement template forms.

- 3.2 There was evidence that active decision making continued despite the impact of Covid19 and the new paperless approach was adopted quickly and did not compromise on the evidence trail to support decisions. The electronic process not only reduced the need for paper records but also helped to ensure delays in processing requests and resolving queries were reduced.
- 3.3 The design of the waiver template form prompts the need for Executive Member consultation to confirm their awareness and acceptance of the waiver proposed. However, there were examples when this had not happened before the request had reached the Deputy City Treasurer.
- 3.4 The waiver decision log maintained by the Deputy Chief Executive and Deputy City Treasurer's Business Support team provided access to a complete view of waiver activity and was regularly kept updated with details of the current stage of each waiver being processed.
- 3.5 The Strengthening Accountability workstream was underway with the aim of implementing some quick wins in process change by November 2020. This work aimed to clarify roles, responsibilities, expectations, steps and sequencing for procurement processes including waivers. We support the intention that this will be done through more joined up information and advice and guidance for officers, by integrating and simplifying the information currently held separately within Finance, Procurement and Shared Service Centre.
- 3.6 A recent analysis of the waiver position was conducted by the Integrated Commissioning and Procurement (ICP) team and presented to the Commercial Board in August 2020. This covered a 12 month period and whilst this included useful detail on the number and nature of waivers by directorate it was not possible to make any direct comparisons. The value of waivers at directorate level formed part of the dashboard presented to DMTs giving greater visibility over the volume of waivers which is important and should help in driving improvements to commissioning pipelines as information is shared.

4. Key Areas for Development

- 4.1 Audit sample testing of 25 entries on the waiver log between 1 April 2020 and 31 August 2020 confirmed a number of compliance issues. Whilst the new digitised process was still in its infancy the core details required in waiver forms and the level of approval required had not changed. We consider further work is needed to strengthen the evidence provided to support requests and to increase consistency. This will ensure that all relevant information is available to support decisions and should minimise follow up on gaps and queries. A table is included at Appendix 1 to provide further details on the nature of issues identified which included missing fields in the form, incorrect information, Executive Member consultation date after the waiver

request date, insufficient details around social value, Manchester Living Wage and which budget the spend would be coming out of which led to the need for subsequent clarification from the Deputy City Treasurer.

- 4.2 Thought should be given as to how to maximise compliance and reduce the number of queries raised at the approval stage. Whilst we consider the refresh of guidance as part of the transformation project should help to inform managers and may help minimise issues arising. The following could also be considered:
- Improved access to guidance on the waiver process as it is not always easy to find. There is an opportunity with the launch of the new intranet for a refresh of the procurement information available to managers.
 - Another consideration could be for the procurement forms to be passed back to the Directorates where gaps or issues were identified ahead of these being sent for approval to the Deputy City Treasurer. We appreciate a resource would be required for this and options for this to be done on a triage basis may be worth exploring for instance first time procurer, value, reputational impact, gold and silver contracts, those at greater risk of legal challenge.
- 4.3 The waiver log included some procurements which were not considered to be waivers which means the volume of actual waivers may be overstated. This was the case for eight out of our sample of 25, five of which were open tender procurements and three were further competition under a pre-existing framework. It was not clear why these were added to the waiver log as waiver request forms were not used for these. Action is therefore required to redefine requirements and cleanse the data to ensure only waivers are included on this log and to capture other procurement decisions elsewhere.
- 4.4 As stated previously some analysis had recently been done by the ICP team and reported to the Commercial Board which is a positive step and demonstrates transparency. We consider that now that a baseline has been captured momentum should not be lost and more frequent further analysis should be undertaken. This will allow for analysis at a macro level and will help to provide assurance over whether the position is improving on a directorate basis and allow for the identification of any patterns or themes.