

## Appendix Two: Audit Report Executive Summaries (Opinion Audits)

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

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

## A. St Bernard's Primary School Executive Summary

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

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

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

### 1. Audit Summary

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

### 2. Conclusion and Opinion

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

### **3. Summary of Findings**

#### **Key Areas of Strength and Positive Compliance**

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

#### **Key Areas for Development**

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

- Although there was evidence of Governing Body monitoring the budget regularly, the minutes did not show formal approval of the budget;
- lack of evidence of SBM and Head Teacher's monthly budget monitoring activity;
- lack of clear alignment between the School Improvement Strategic Overview 2019-2022 and the three-year budget;
- poor evidence of management oversight and delays in review of bank and payroll reconciliations by Head Teacher, as these functions have been outsourced;
- inadequate compliance with purchasing procedures, including a lack of compliance with high-value procurement procedures;
- poor controls over the school charge card;
- outdated lettings and charges policy.

3.6. The Chair of Governors advised us that operational processes followed the Scheme of Financial Delegation. However, our review and subsequent discussions with the Head Teacher and SBM confirmed that the Scheme reflected the arrangements in place prior to the Head Teacher's appointment in September 2020 and current processes had been revised to support the strengthening of controls. We support the action taken to revise processes; however care must be taken to ensure the Scheme and approved policies and procedures are amended to reflect practice changes.

3.7. The budget setting exercise reviewed relates to the previous Head Teacher and therefore we were unable to see evidence of Head Teacher involvement. Furthermore, the new Head Teacher and SBM have utilised the first few months of the academic year to understand the systems previously followed and therefore were not (at the time of our review) able to evidence their involvement, review or management oversight of some of these basic system reviews.

## B. Benchill Primary School (Follow Up) Executive Summary

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

### 1. Audit Summary

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

### 2. Conclusion and Opinion

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

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

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

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

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

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

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

### 1. Audit Summary

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

### 2. Conclusion and Opinion

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

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

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

### **3. Summary of Findings**

#### **Key Areas of Strength and Positive Compliance**

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



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

### **Key Areas for Development**

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

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

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

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

### 1. Audit Summary

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

### 2. Conclusion and Opinion

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

minor.

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

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

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

### 3. Audit Summary

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

### 4. Conclusion and Opinion

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

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

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

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

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

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

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

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

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

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

The Head Teacher should ensure that the bank reconciliations are completed in a timely fashion in line with the requirements of the Scheme of Financial Delegation and are signed and dated as evidence as completion and review.	Significant	6 months	1/11/21
---	-------------	----------	---------

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



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

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

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

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

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

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

## H. St Philips Primary School Financial Health Check Executive Summary

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

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

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

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

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

**I. Adults Services**  
**Follow Up Audit: Mental Health – Casework Compliance**  
**Executive Summary**

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

**1. Audit Summary**

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

**2. Conclusion and Opinion**

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

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

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

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

safeguarding practice.

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

### **3 Management Response Received**

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

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

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



## J. Corporate Core Directorate: Policy, Performance & Reform

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

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

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

#### 1.1. Audit Summary

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

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

#### 2. Introduction and Background

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

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

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

### **3. Findings**

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

### **4. Conclusions and Opinion**

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

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

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

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

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

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

## **1. Audit Summary**

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

## **2. Conclusion and Opinion**

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

## **3. Summary of Findings**

### **Key Areas of Strength and Positive Compliance**

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

any slippages and for them to be acted upon.

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

### **Key Areas for Development**

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

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

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

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

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

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

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

## **1. Audit Summary**

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

## **2. Conclusion and Opinion**

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



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

### **3. Summary of Findings**

#### **Key Areas of Strength and Positive Compliance**

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

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

### **Key Areas for Development**

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

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

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

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

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

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

**1. Audit Summary**

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

**2. Conclusion and Opinion**

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

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

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

### **3. Summary of Findings**

#### **Key Areas of Strength and Positive Compliance**

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

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

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

#### **4. Key Areas for Development**

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

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

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

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

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



## **1. Audit Summary**

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

## **2. Conclusion and Opinion**

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

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

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

### **3 Summary of Findings**

#### **Key Areas of Strength and Positive Compliance**

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

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

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

#### **4. Key Areas for Development**

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

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

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

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

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

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

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

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

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

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

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

**1. Audit Summary**

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

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

## **2. Conclusion and Opinion**

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

## **3. Summary of Findings**

### **Key Areas of Strength and Positive Compliance**

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



processes for due diligence.

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

were happy to incorporate into their working practices.

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

### **Key Areas for Development**

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

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

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