

**Manchester City Council
Report for Information**

Report to: Audit Committee – 26 July 2022

Subject: Outstanding Audit Recommendations

Report of: Head of Audit and Risk Management

Summary

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

Recommendations

The Committee is recommended to note the service review update and receive further progress reports.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

None

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
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None

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	An effective internal audit service is an integral part of the Council's governance arrangements. It helps to maintain and develop good governance and risk management and provides independent assurance over the effectiveness of the Council's systems of control. This contributes to being a well-run Council and indirectly to the achievement of organisational objectives and the OurManchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue = None

Financial Consequences – Capital = None

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Internal Audit reports to Audit Committee
- Outstanding Audit Recommendations Report to Audit Committee – February 2022

1 Introduction

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

2 Background

- 2.1 Internal Audit usually follows up management actions on high-risk recommendations at least quarterly to obtain assurance that progress is being made to address risk. Management is required to provide demonstrable evidence to show that agreed actions have been implemented. Internal Audit considers this evidence and may choose to re-test systems and controls on a risk basis to provide assurance that agreed improvement actions have been implemented and are operating effectively.
- 2.2 Where a limited or no assurance opinion is issued, a full follow up audit is undertaken after 6-12 months to test whether agreed areas for improvement have been addressed.
- 2.3 In addition to recommendations agreed as part of our planned assurance reviews, we have now formalised our approach to capturing and tracking recommendations made through audit investigations. From July, as part of our continuous improvement regime, in specific circumstances where we find systemic control weaknesses or gaps, we will produce an action plan for management, identify action owners and agree implementation dates. Critical and significant recommendations will be monitored via the existing processes.
- 2.4 Where system related issues are found, we may include them in standard recommendation reporting to Committee but that may not be appropriate in all cases, for example, if the recommendation relates to actions needed to be taken to reduce the risks of fraud, theft etc where publishing to the public at large would present an increased likelihood of crime. For completeness we will report progress on all fraud related audit activity to the Committee through the Counter Fraud Annual report.
- 2.5 Progress made in the implementation of agreed actions is reported quarterly to Directorate Leadership Teams (DLTs), Strategic Management Team (SMT) and Audit Committee. Executive Members are notified of high priority recommendations reaching six months overdue. At nine months overdue, Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and progress to either address or accept the reported risks.

2.6 In accordance with Audit Committee expectations, the risk relating to recommendations that are not fully implemented will not be written back to Strategic Directors when they are over 12 months past the agreed implementation date. This period has been extended to 18 months and Directors will continue to attend this Committee to outline the reasons for delay and mitigating actions that they consider have reduced risk exposure to a tolerable level.

3 Current Implementation Position Update

3.1 The position in terms of high priority internal audit recommendations implemented is summarised below and in detail at Appendix 1. Overdue recommendations are detailed in Appendices 2,3 and 4.

3.2 Recommendations for improving the control environment within schools are monitored by Internal Audit however these are not included within this report for the following reasons: -

- There is a high volume generated through our School Financial Health Checks
- They tend to be repetitive as they address re-occurring themes in common procedural areas e.g., bank reconciliation, raising purchase orders etc
- Action owners are usually Headmasters and School Business Managers, and we are unlikely to request action owners to attend Audit Committee.

3.3 To ensure the Committee are sighted on the position, we have summarised the statistics relating to school recommendations within a separate table. This includes supporting narrative and forms part of the update paper requested by Committee, and this referenced under a separate heading on the July 2022 agenda.

3.4 At the April 2022 meeting, the Committee requested a progress update on Housing Operations – Void and Empty Property recommendations. This review had a limited assurance opinion. The recommendation action plan is attached as Appendix 5 with updates provided.

Outstanding Recommendations – over 12 months

3.4 Of the three outstanding recommendations reported to Audit Committee in February 2022, only two remain as partially implemented, as summarised in the table below:

Directorate	Audit Title	Due Date	Months	Status
Adults	Mental Health Casework	30/9/19	34	Partially implemented
Adults	Transitions	30/6/18	49	Partially implemented

Section 106 notices

- 3.5 The overdue recommendation in relation to Section 106 is now fully implemented. The remaining action concerning officer recruitment has now been completed and the new structure is in place. A full planning review has been completed and is now fully implemented. Internal audit has also reviewed a recent example of the system generated Section 106 reports, evidencing a departure from static reporting, and emailing of S106 data, to a more fluid and dynamic model.
- 3.6 This model provides a textual and graphic interpretation of the data using Microsoft Excel workbooks available within Microsoft Teams structures. There is a schedule produced for each ward, available to ward councillors and neighbourhood officers, along with specific focussed workbooks relating to Affordable Housing.

Mental Health Casework

- 3.7 An update on the outstanding mental health recommendation confirmed that the recommendation is still partially implemented. There remains processes in place within Greater Manchester Mental Health NHS Foundation Trust (GMMH) to monitor safeguarding activity on a weekly basis with performance being overseen by the Council's Performance and Governance Manager, but GMMH staff have not yet gained the required access and training to access Liquid Logic to directly input safeguarding activity in order to complete the safeguarding cycle.
- 3.8 The safeguarding process on Liquid Logic has recently been amended for all of Adults Social Care staff and a variation of this process has been created for GMMH which was tested on 1 July 2022. This testing confirmed that a minimum of two administration staff in each mental health team will be needed to ensure someone with appropriate access and training is able to sign off the end-to-end process on Liquid Logic. It is planned to backdate the entry to Liquid Logic to April 2022 to capture a full year's data. The new safeguarding process is due to go live on 5 September 2022, so this is the target date to have the necessary administration staff ready to access Liquid Logic.

Transitions

- 3.9 We have confirmed that the transitions recommendation in relation to performance indicators remains partially implemented. The Assistant Director for Adults Services confirmed in our latest updates that some regular reporting is being completed but it is a manual process, it is time consuming and does not include specific performance indicator or performance reporting. Audit have seen a reporting template that has been developed with PRI for performance reporting on transitions once the necessary updates have been made to liquid logic workflows.
- 3.10 Delays to reports including more performance reporting are due to delays in transitions workflows being added to Liquid Logic to enable system-based

reports to be produced. The current plan for this to be complete is September 2022 and at this point formal performance reports will become operational.

Significant / Critical Overdue Recommendations – 6 to 12 months

- 3.11 There are two recommendations that have been overdue for between six and twelve months, both are partially implemented and relate to the same audit review; Placement Finding: Review of Core Processes. More detail is given in Appendix 3 below.

Significant / Critical Overdue Recommendations – 1 to 6 months

- 3.12 There are three recommendations that have recently been classified as overdue, relating to audit reviews of Highways Compensation Events, and two from work undertaken on Use of Waivers and Extensions. All three are partially implemented and require further work to be closed and classed as being fully implemented. We will continue to monitor these to completion. More detail is given in Appendix 4 below.

Not Yet Due

- 3.13 A total of 15 recommendations rated significant are not yet overdue, these will be tracked through to implementation. All have been agreed as part of audit work and reports finalised in the period January 2022 to June 2022.

4 Recommendation

- 4.1 Audit Committee is requested to note the current process, the inclusion of recommendations via investigation work, and position in respect of high priority Internal Audit recommendations.