

**Manchester City Council
Report for Information**

Report to: Audit Committee – 25 July 2023

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 implementation position at the end of June 2023.

Recommendations

The Committee is recommended to consider the assurance provided from the follow-up of outstanding audit recommendations.

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

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 Our Manchester 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 progress reports to Audit Committee
- Outstanding Audit Recommendations Report to Audit Committee – March 2023

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 External Audit recommendations being tracked.
- 1.3 This report also includes an update on progress made by school to address recommendations from school audit reports.

2 Background

- 2.1 Internal Audit 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 planned assurance reviews, we have now formalised our approach to capturing and tracking recommendations made through audit investigations. 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 or theft where publishing to the public at large would present an increased likelihood of crime. For completeness we will continue to report progress on all counter-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 18 months past the agreed implementation date. 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 is summarised below. Implemented recommendations are described in detail at Appendix 1. Overdue recommendations are detailed in Appendices 2,3 and 4.
- 3.2 This report relates to Council activities only. Details of actions taken in response to recommendations for schools will be provided in the Autumn update to Committee.
- 3.3 The previously partially implemented recommendation relating to the reconciliation of Mental Health safeguarding referrals to ensure the City Councils records of safeguarding activity are accurate and up to date has now been removed from our tracker. It was agreed at the last audit committee that this recommendation would be referred back to the Business and taken into wider GMMH Improvement Planning and prioritised accordingly rather than a specific follow up recommendation outside of this process.

Outstanding Recommendations – over 12 months

- 3.4 There are two recommendations that are over 12 months old.

Directorate	Audit Title	Due Date	Months	Status
Children's Services	Placement Finding: Review of Core Processes	Nov 2021	20	Superseded
Children's Services	Placement Finding: Review of Core Processes	Sep 2021	22	Superseded

- 3.5 Both of these recommendations relate to the development of management reports and improved oversight for payments for children placed in foster care or related settings. A 2023 limited assurance audit confirmed that recommended developments in controls had not been implemented and as a result the Director has instructed a working group to delivery improvement activity to address this and other issues arising from the audit. The 2021 recommendation is incorporated into the new management response and the agreed actions from this 2023 audit will be followed up in 2023/24.

Overdue Recommendations – 6 to 12 months

3.6 There are five recommendations that have been overdue for between six and twelve months.

- Avro Hollows Tenants Management Organisation – four recommendations that are 12 months overdue where updates are being sought from the TMO as part of a wider meeting with the Chair intended to improve the quality of information exchange and level of confidence in governance arrangements.
- Privacy Notices – one recommendation overdue which is partially implemented as some additional work is required to update privacy notices in four service areas.

Overdue Recommendations – 1 to 6 months

3.7 We are tracking five recommendations that are now in this category

- Adaptations Review (1)
- Vendor Creation and Amendment (1)
- Social Value Monitoring (1)

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.