

**Manchester City Council
Report for Information**

Report to: Audit Committee – 13 February 2024
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 December 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 – July 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.

Outstanding Recommendations – over 12 months

- 3.4 There are four recommendations that are over 12 months old.
- 3.5 Avro Hollows Tenants Management Organisation (TMO) – three recommendations are 12 months overdue as reported previously to Audit Committee. An Independent Review is underway and will result in a report and an action plan of areas for development. The Independent Reviewer has been provided with details of the audit issues reported to the TMO and it is intended that the report will be used as the basis for determining whether actions have been suitably addressed. We expect to be able to conclude follow-up and update on exposure to risk by the time of the next Audit Committee update.
- 3.6 Privacy Notices – We previously reported the partial completion of a recommendation in this area around the tailoring of privacy-related information to be more child-friendly and easy-to-read. The Data Protection Officer has carried out a review of good practice across other organisations and has drafted updated content. This has been approved as meeting corporate communications standards and is with managers in the relevant business area for final confirmation prior to publication. Whilst this is fundamentally complete we will wait to confirm this is live and accessible to the public before closing as fully implemented.

Overdue Recommendations – 6 to 12 months

- 3.7 There are 7 recommendations that have been overdue for between six and twelve months:
- Vendor Creation and Amendment (1) – this recommendation is partially implemented but is remaining open to help ensure that that this remains a

focus in the design and implementation of the new finance (ERP) system. We will formally refer this finding to the project at year end for confirmation that controls to manage the risk of duplicate vendors are integrated in the new system design.

- Social Value Monitoring (1) – a recommendation relating to banked hours on a specific expired framework remains partially implemented as previously reported to Audit Committee. If actions are not addressed by year end the Accountable Officer will attend Audit Committee to update Members on reasons for the delay and actions to be taken to respond to risk. Beyond this specific recommendation it is positive that the new contract management system is being launched across the Council and includes specific workflow for recording and monitoring social value outcomes and will further help drive consistency. This is in addition to social value portals that are already in place for tracking outcomes across specific service areas including highways and construction.

3.8 Adaptations Review (2) - There were four recommendations outstanding from our Adaptations Review audit that had been partially implemented. Two of these were over 6 months overdue and the other two were 1-6 months overdue. A follow up audit confirmed the decision to insource this service, which is currently delivered through a combination of Council Services and Housing Registered Providers. The decision to integrate all provision in the Council has meant that these recommendations are no longer relevant and have been superseded by this fundamental change in delivery model. We have made one overall, new recommendation to ensure that the risks highlighted in the audit are addressed in the new service and will track this new action through to completion.

3.9 Adults Care Package Payments (3) - We are in the process of completing a follow up audit in this area with a report due to be issued in March. The Service took the decision to undertake a larger redesign of processes than was envisaged at the time the audit was finalised, with audit recommendations now integrated as part of this wider and more substantial change process. Whilst this has delayed the dates of implementation of our original recommendations, the new operating model should address the issues identified and set the service up for improved, sustainable long-term operations. Significant work has been undertaken and there has been evident progress, but the iterative project methodology has meant we are only able to consider recommendations partially implemented at this stage. The outcome of the follow up audit will be reported to Audit Committee once complete.

Overdue Recommendations – 1 to 6 months

3.10 We are tracking 15 recommendations that are now in this category:

- Adult Social Care: Contracts Governance
 - 2 partially implemented
- Contracts Risk Management
 - 1 partially implemented
- Review of Fire Risk Assessment Process - Residential Properties
 - 3 partially implemented

- 4 not implemented
- Council Tax Discounts and Exemptions
 - 1 not implemented
- Imprest Accounts
 - 2 partially implemented
- Building Control
 - 2 not implemented

4 Recommendation

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