

**Manchester City Council
Report for Information**

Report To: Audit Committee – 13 February 2024

Subject: Internal Audit Assurance Update Quarter Three 2023/24

Report of: Head of Audit and Risk Management

Summary

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

This report provides an update of progress on the agreed audit plan and details of assurances from the Internal Audit Service for quarter three 2023/24.

Recommendations

Audit Committee is requested to consider and comment on the Internal Audit Update report.

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

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3506
E-mail carol.culley@manchester.gov.uk

Name: Tom Powell
Position: Head of Audit and Risk Management
Telephone: 0161 234 5273
E-mail: tom.powell@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents

are available up to four years after the date of the meeting. If you would like a copy, please contact one of the contact officers above.

- Internal Audit Plan 2023/24 (Audit Committee June 2023)

1. Introduction

- 1.1. The work of Internal Audit is a key part of the Council's overall assurance framework which is described in the Annual Governance Statement and in the Head of Audit and Risk Management's Annual Opinion.
- 1.2. Regular reporting to management and to the Audit Committee provides assurance over the Councils systems of governance, risk management and internal control arrangements. It contributes to officer and Member understanding of issues being raised by Internal Audit, provides assurance over actions taken to address risk and supports effective decision making. Regular reporting also helps the service and the Council to demonstrate compliance with Public Sector Internal Audit Standards and relevant legislation.
- 1.3. The tables in section 3 will be used to summarise the results of planned and reactive audit work delivered by the Service but also, for example, an assessment of assurances provided by officers to boards, of other audits and inspections and reports to scrutiny committees. Details of the findings and recommendations that arise from audit work continue to be included as appendices to the report.
- 1.4. This report provides details of the work of the Internal Audit Section for the third quarter of 2023/24 to the end of December 2023 and confirms;
 - progress in the delivery of the annual audit plan (section 2); and
 - key assurances, risks and issues arising from audit work, assessment of other sources of assurance and actions taken to address internal audit recommendations (section 3).
- 1.5. Appended to this report are:
 - Appendix 1: Summary of audit findings and other sources of assurance
 - Appendix 2: Executive summaries of final reports issued in the period.
 - Appendix 3: Delivery status of the annual audit plan 2023/24
 - Appendix 4: Key to the basis of audit assessments

2. Audit Plan Progress and Delivery

- 2.1. At the end of December 2024, we had completed 50% of the plan to draft or final report stage, with 34% of work in fieldwork or planning phases.

Table 1: Status of Planned Audit Outputs 2023/24

Status	To January 2024	To September 2023	To July 2023
Final	39	29	13
Draft	6	4	2
Fieldwork	10	11	10
Planning	21	10	10
Not Started	5	26	34
Total	81	80	69
Deferred / Cancelled	9	1	0

2.2. As referenced in the quarter two update, as well as some requests for new work there have been two leavers and a staff absence. Given these impacts the plan has been reviewed with the team to assess deliverability to year end. Whilst we have secured new appointments and third-party support for schools the effect of this resource will not be realised until the end of the year and the first quarter of 2024/25. The following audits (10% of the plan) are proposed for reassessment as part of the audit planning for 2024/25:

- Supporting Families and Biodiversity Net Gain Grant - Certifications no longer required
- Contracts: Factory Project Assurance – The certification is no longer required in 2023/24 as this falls due after practical completion which is scheduled for Spring 2024 – to be included in 2024/25 plan
- Elective Home Education / Alternative Provision, Placement Finding Service, Contracts: Adult Social Care Providers, Contracts: Zero Carbon, Building Control and Highways: Delivery Management - impacted by reduced capacity in the year so are so planned for inclusion in the 2024/25 Audit Plan risk assessment.

2.3. Recruitment to the posts of Deputy Head of Audit and Risk Management post, five vacant posts in Internal Audit and other posts across the Audit and Risk Management Service has concluded. Four appointments have been made in Internal Audit including two internal promotions. This means that the Service will start 2024/25 with two additional staff in post. Whilst this is positive there are three vacancies that remain in Internal Audit and the Deputy post remains unfilled. Options to address this capacity gap are being explored and include the development of trainee posts in collaboration with Bolton Council who also have a number of audit vacancies. A review of the Deputy Head of Service post is planned given this is the second time the post has been actively promoted without success.

3. Audit Assurance, Risks and Issues

3.1. The tables in appendix 1 summarise all the outcomes of audit work and other sources of assurance that Internal Audit have considered in the period. They are intended to provide a holistic and visual articulation of audit assurance. They describe assurances and risks / issues and Internal Audit's assessment of how it contributes to the overall assessment of the effectiveness of governance arrangements, management of corporate risks and systems of internal control.

3.2. Where audit work has been completed and an opinion issued this is included. Opinions continue to be Substantial, Reasonable, Limited or No depending on audit findings.

3.3. Every quarter we provide a summary of key assurances and issues that have been highlighted from audit work and other sources of assurance. These are then used together to inform the Head of Audit and Risk Management annual audit opinion. The following are the new issues arising in quarter two:

Housing Services

- 3.4. The Housing Services Improvement Board continues to oversee progress in assuring statutory compliance across Council residential properties including progress on actions including those that have arisen from audit reports around fire risk management and will include oversight of responses to audit of repairs and maintenance and the current audit of complaints.
- 3.5. The Repairs and Maintenance Contract (Housing Services) Performance Management and Reporting audit resulted in limited assurance. Management were sighted on issues, understood the need for change and had taken positive steps including the development of enhanced internal reporting arrangements. An action plan has been agreed to respond to improvements needed over the integrity, quality and completeness of data being reported by the Contractor as well as actions required to strengthen roles and responsibilities, capacity and ICT.
- 3.6. Engagement with management regarding one of the Council's two Tenant Management Organisations (Avro Hollows) has continued. An Independent Reviewer is currently conducting an assessment of the TMO and this will result in a plan of agreed actions designed to strengthen governance, performance and financial management arrangements. Audit Committee will be provided with an update on the outcome of this review and actions to be taken to reduce risk.

Childrens Services - Foster Care

- 3.7. We received an update during the quarter on progress made in implementing recommendations made in our audit of Foster Care Payments. Whilst none of the recommendations are yet due for implementation the update confirmed that one key recommendation had already been implemented with a process map now being in place for the entire payments system spanning the various teams involved in agreeing and making payments. A working group had also been set up as recommended with representatives from across the Council teams involved in the foster care payments process. This group has taken ownership of addressing risks identified in the audit and this includes a full review of agreed actions to ensure they remain the most effective and appropriate steps to take. We are meeting with management to explore their approach to reduce risk and will report our update to Audit Committee in due course.
- 3.8. Whilst our audit work focused on finance and payments there were also annual reports to Scrutiny Committee in January 2024 covering foster care and adoption and these that provided positive assurance that there remains member oversight of across these key service areas.

Schools

- 3.9. Three Limited and one Substantial opinion audit reports were issued in the period. To note very positive arrangements at Manchester Hospital Schools where all areas covered by the audit result in substantial assurance. The numbers of reports will increase substantially over the coming months following the appointment of a firm to deliver 70 audits by the end of July. A summary of common themes and issues arising from audits is being drafted for issue to all schools in March.

- 3.10. A programme of counter fraud awareness has been rolled out with staff from schools across the City having now accessed and completed on line courses. We will continue to promote this in our March communications.

Gifts and Hospitality

- 3.11. A draft report has been issued from a review of gifts and hospitality procedures. Findings have been explored in a workshop with HROD and we propose a refresh of policy and supporting guidance to help standardise arrangements across services. The opinion reflected the lack of consistency of recording of offers and acceptance of hospitality. Actions are proposed to provide additional guidance for areas like culture, policy or events where there is a higher likelihood that offers may be made. We will share the Summary of this report with Audit Committee once management actions have been agreed,

4 Recommendation

- 4.1 Audit Committee is requested to consider and comment on the Internal Audit Update report.

