

Manchester City Council Report for Information

Report to: Audit Committee – 23 July 2024

Subject: Internal Audit Assurance Update Quarter 1 2024/25

Report of: Assistant Director (Assurance & Risk)

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 one 2024/25.

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
Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
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	
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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.

1. Internal Audit Plan 2024/25 (Audit Committee April 2024)

1.0 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 Council's 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 Appendix 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 first quarter of 2024/25 to the end of June 2024 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 for 2024/25 and completion of work brought forward from 2023/24.
 - Appendix 4: Key to the basis of audit assessments

2.0 Audit Plan Progress and Delivery

- 2.1 At the end of June 2024, we had completed 28% of the plan to draft or final report stage, with 22% of work in fieldwork or planning phases.

Table 1: Status of Planned Audit Outputs 2024/25

Status	To June 2024
Final	12
Draft	7
Fieldwork	7

Planning	8
Not Started	33
Total	67
Deferred / Cancelled	0

- 2.2 Some changes in service structure are being progressed. These include removing the post of the Deputy Head of Audit Risk and the establishment of an new Risk and Resilience Management post and an additional Audit and Assurance Manager post. There were also three auditor vacancies in Internal Audit that are being converted into trainee posts. An appointment has already been made to one of these and further work is underway to attract more applicants for these and strengthen the resource position in collaboration with Bolton Council who also have a number of audit vacancies.

3.0 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 one:

Recommendation Implementation

- 3.4 We can report some positive progress in terms of high priority audit recommendations but acknowledge there are challenges associated with the full implementation of some recommendations by target deadlines. As such, there are a number of recommendations across all directorates which are currently outstanding in part. This is due to a variety of reasons including actions being addressed as part of wider change/improvement programmes, reliance on third parties, capacity issues and underestimation of the length of time needed to effect changes. We are confident that management understand risks and are taking action in response to audit recommendations but completion is taking longer than expected in all of these areas:
- Avro Hollows Tenants Management Organisation
 - Social Value Monitoring
 - Adults Care Package Payments and Social Care Contract Governance
 - Review of Fire Risk Assessment

- Unauthorised Building Work
- Imprest Accounts

Housing Services

- 3.5 The Housing Services Improvement Board continues to oversee progress in assuring statutory compliance across Council residential properties. There has been positive progress during the quarter with progress in areas including ICT migration, recruitment and harmonisation of the workforce. The Board continues to receive key performance data relating to the service including fire risk management, damp and mould, gas servicing, voids and repairs.
- 3.6 Engagement with management regarding one of the Council's two Tenant Management Organisations (Avro Hollows TMO) has continued. Following Council concerns over governance and performance of the TMO an independent review was commissioned that has resulted in a report shared with the TMO Board. This includes a 77-point plan of activity for delivery of the next 12 months to strengthen governance, performance and financial management arrangements. It is positive that action to address these points is underway but there remains much work still to do. The Assistant Directors for Strategic Housing and for Assurance and Risk have had an initial meeting with the Board to discuss regular progress updates and offer appropriate Council support where this is appropriate. This is to continue every four weeks so Audit Committee will be provided with an update on progress at the three-month stage of this plan.

Revenue Budget Management

- 3.7 The revenue and capital budget outturn positions were presented to Executive in June. Underspends on the capital budget were largely attributed to timing differences, with spend on capital projects often covering multiple years. However, the revenue budget recorded a global overspend of £5.3m with directorate budget overspends in Childrens Services, Adult Social Care and Neighbourhood Services. It is widely understood that these are areas where substantial increased demand is impacting across all local authorities including Manchester and where actions are being progressed to try and manage demand through the redesign of services, use of systems and work across partnerships.
- 3.8 The importance of robust budget setting, effective use of appropriate financial systems and sound budget management and forecasting are acknowledged as being critically important areas so we are undertaking work with a specific focus on Adults Services budget management for completion in quarter two.

Schools

- 3.9 The annual SFVS certification has been completed, financial health checks are being delivered by our third-party provider (Entrust) and a cyber security audit across a sample of schools is also underway. We are also progressing a number of School Financial Health Check follow-up audits to determine the

progress made in addressing issues raised in earlier limited assurance reports. Further updates and assurance from these audits will be shared with the Executive Member and with the next Audit Committee as part of our assurance reporting arrangements.

Special Educational Needs

- 3.10 We have issued a draft report on our audit of Education, Health and Care Plans (EHCPs) providing reasonable assurance over the arrangements for processing and issuing plans. We have also reported wider assurance taken from the Childrens and Young People Scrutiny Committee through the SEND annual report which describes reforms that the Council are involved in and the Local Area Inclusion Plan which is a key part of these reforms.
- 3.11 EHCPs are a challenge across the educational and healthcare system as the scale of need and support being sought to support children and young people is leading to increased demand across all partners and impacting directly on the costs of the authority and schools. This is adding increased pressure on Education Services and with increasing volumes of referrals and applications this is placing significant pressures on the Councils' financial resources available through the high needs funding block.

Counter Fraud

- 3.12 Directorate and service level counter fraud awareness sessions were held during the period. All directorate leadership teams and a number of wider management teams in higher risk areas have received training focused on raising awareness on fraud risk areas and the mechanisms in place for raising concerns.
- 3.13 Concerns and referrals around council tax, right to buy, NNDR, grants and all other council activity continue to be received and triaged. Referrals received during the quarter relate to each directorate; themes include concerns regarding employee conduct and behaviour and inappropriate claims for provision/support.

4.0 Recommendation

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