

**Manchester City Council  
Report for Information**

**Report to:** Audit Committee - 11 June 2019  
**Subject:** Internal Audit Outturn Report  
**Report of:** Head of Audit and Risk Management

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**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 Head of Internal Audit Annual Opinion.

This outturn report provides Members with confirmation of the audit work completed based on the agreed Audit Plan 2018/19 and subsequent agreed amendments to that plan. Detailed reports on assurances issued and work progress were provided quarterly to Audit Committee in year and the first assurance report for 2019/20 will be provided in July 2019.

**Recommendations**

Members are requested to consider the outturn of the Internal Audit Service.

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**Wards Affected:** All

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**Contact Officers:**

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

Name: Tom Powell  
Position: Head of Internal Audit and Risk Management  
Tel: 0161 234 5273  
E-mail: t.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 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Documents used in the development of the assurance report include:

- Internal Audit Plan 2018/19 (Audit Committee June 2018)
- Internal Audit Quarterly Assurance progress reports 2018/19 to Audit Committee
- Internal Audit Quarterly Recommendation Update Reports 2018/19
- Review of Effectiveness of Internal Audit (Audit Committee April 2019)
- Head of Internal Audit Assurance Opinion (Audit Committee April 2019)

## 1. Introduction

- 1.1 This report provides a summary outturn of the work of the Internal Audit Section for 2018/19 and reflects the completion of some outstanding planned work in April and May 2019. Update reports including assurance opinions have been provided to Audit Committee during the year and have been shared with senior managers as part of the assurance programme. The next quarterly update report will be provided in July 2019.
- 1.2 The Head of Audit Annual Assurance Opinion was presented to Audit Committee in April 2019 and provided a moderate assurance opinion overall in relation to governance, risk and control. The additional opinions issued subsequently have not impacted on that opinion.

## 2. Audit Plan Delivery

- 2.1 The following table provides a summary of the total number of audits provided in 2018/19 based on the approved audit plan and amendments agreed in the year. There were changes to the timing of some planned work and the addition of opinion or other assurance work at the request of management.
- 2.2 Outputs included audit reports, management letters and advice and guidance as well as support to management on service improvement which took place in project meetings. It also includes reactive fraud and irregularity investigation reports for work requiring more than five days of audit support or where an opinion was provided.
- 2.3 The analysis excludes most of the general advice and guidance provided to the business and involvement in working groups and projects, as these are not captured in formal reports. Figures include completion of brought forward work in the first quarter as agreed with managers. The outcomes of audit work were shared with senior officers and Audit Committee during the year and a summary of key assurance is provided at section 4 below.
- 2.4 The approved annual audit plan was substantially completed by the end of May with 95 final audit reports issued and six in draft awaiting response from clients on action plans. These were being followed up with teams in Education and Schools; Strategic Development and Corporate Core.

| Audit Status                   | Audit Plan Outputs | Additional and Contingency Items |
|--------------------------------|--------------------|----------------------------------|
| Final Report Issued            | 92                 | 3                                |
| Draft Report Issued            | 6                  |                                  |
| Fieldwork Completed or started | 11                 |                                  |
| <b>Totals</b>                  | <b>109</b>         | <b>3</b>                         |
| Cancelled or Deferred          | 8                  |                                  |

2.5 The status of all work is shown at Appendix One and this includes a limited number of audit activities which were scheduled to be carried forward for completion into 2019/20 and remain on going in line with the rolling programme of audit activity. The eight audits cancelled or deferred were as follows:

- Manchester Support for Independent Living; Public Contracts Regulations Compliance; Recruitment and Selection and Special Education Needs deferred and included within the 2019/20 Annual Audit Plan.
- Data Retention and Disposal was incorporated in an audit of General Data Protection Regulations Post Implementation
- Software Licensing Follow Up which was deferred to 2019/20 to enable testing to take place following the implementation of recommendations
- Grant Certifications which were no longer required for Highways Local Pinch Point and Highways Challenge Grant.

2.6 Outcomes for the work which remain to be finalised will be reported in quarterly assurance reports to Audit Committee and are reflected as brought forward work in the Annual Internal Audit Plan for 2019/20.

### **Limited Assurances**

2.7 Internal Audit issued 12 limited assurance opinions between April 2018 and May 2019. Limited and No assurance opinions are provided where there are significant concerns about the system of internal control or an absence of controls which could put the process or system objectives at risk. Recommendations made as a result are often designated as critical or major to reflect the level of risk. Where audit work identified areas for improvement recommendations were made to address the risk and management action plans were agreed or advice and guidance was provided to enable managers to make changes to systems, processes or policies. The resulting agreed action plans were monitored and progress to implementation reported to Audit Committee on a regular basis.

2.8 The limited opinions in year were reported to Audit Committee and action plans agreed and progressed in respect of:

- Adults: Management Oversight and Supervision where the approach to supervisions was leading to inconsistency including frequency of supervisions, record keeping, training and monitoring arrangements.
- Adults: Mental Health Casework Compliance, with concerns raised around timeliness, record-keeping, management oversight and reporting.
- Adults, Children's and ICT: LiquidLogic and ContrOCC (Data Migration and User Acceptance Testing) where progress on development and delivery was behind schedule and there were a number of challenges for the project to address before a decision to 'go live' was taken.
- Adults: Homelessness Floating Support Teams. The main issues preventing us from providing higher assurance were the need to further develop shared and consistent processes and consistency in the understanding and discharge of roles and responsibilities. Practices

adopted across the floating support teams varied and this had led to differences in the provision of support.

- Adults: Deprivation of Liberties (DoLS). DoLS assessments were often significantly outside the required timescales. Although referrals were screened and prioritized for allocation there were significant delays in assessments for low priority cases and there was an absence of DoLS reviews.
- Children's: MASH Follow Up audit. Required improvements related to timeliness of the process and associated reporting; recording of consent; and available guidance and procedures for staff working across the Hub.
- Children's: Early Years 30 Hours Funding raised concerns around the accuracy and robustness of the payments process; the administrative burden caused by the manual nature of processes across the system which also significantly increased the risk of errors; and the lack of training that had been provided to staff delivering the service.
- Contracts: Whistleblowing Arrangements. There was a lack of knowledge amongst contract managers in relation to contractors' whistleblowing policies and procedures along with an absence of assurance mechanisms for ensuring contractual suppliers had whistleblowing arrangements in place and confirming whether these were operating as intended.
- Contracts: Insurance Arrangements. Verification checks to ensure suppliers held minimum levels of insurance were not being undertaken consistently across the Council's contract portfolio. There was a reliance on the insurance checks undertaken as part of the initial procurement process and not regular checks to ensure this was maintained over the life of the contract
- Contracts: Frameworks Contract Governance – Overall Report. Themes emerging from this were consistent with previous audit work and included the need for clarification of the responsibilities of call-off and framework managers; development of minimum expectations over monitoring including the delivery of social value; and the review and enhancement of guidance for allocation of work through frameworks.
- Contracts: Highways Framework. There was a lack of certainty over the direct allocation process and how value for money could be demonstrated due to the lack of competition or a set pricing schedule and there remained restrictions over other authorities' ability or inclination to access the framework.
- Contracts: Taxi Framework. There was limited contract monitoring undertaken to ensure compliance with contract conditions and the achievement of value for money. Findings impacting on the opinion included an inability to demonstrate control over the use and delivery of the contract; lack of formal checks on charges against contract prices and a need to follow-up social value aspects of the contract to ensure these had been delivered.

2.9 Action to implement recommendations to address risks is monitored in line with agreed process and the next full progress and implementation report will be provided to Audit Committee in July 2019.

### 3. Counter-Fraud and Investigations

- 3.1 Internal Audit received 62 referrals of potential fraud, theft or other irregularity in the year April 2018 to March 2019 of which 19 were handled under the Council's Whistleblowing Policy.
- 3.2 In addition to corporate fraud, theft or other irregularity the team have investigated fraud allegations and other concerns received in respect of the Council Tax Reduction Scheme, Housing Tenancy and Housing Right to Buy Scheme, which had been referred to Internal Audit or identified as part of data matching and proactive work.
- 3.3 Detailed information in relation to anti-fraud and investigation progress and outcomes for 2018/19 will be presented in the Annual Fraud Report to be presented to Audit Committee in September 2019.

### 4. Recommendation Implementation

- 4.1 The total number of critical, major or significant priority recommendations fully implemented across the Council as at end of March 2019 was **64%** with a further **17%** partially implemented as shown below. When combined this is above the target of 70% for implementation which is an improvement of previous years and demonstrates continued management focus on addressing issues highlighted by Internal Audit however there is a need to ensure continuing active implementation to address risks.

#### Critical, Major or Significant Priority Recommendations by Directorate

| Directorate                    | Number Due | Implemented | Partially Implemented | Referred Back | Outstanding |
|--------------------------------|------------|-------------|-----------------------|---------------|-------------|
| Corporate Core                 | 43         | 30          | 3                     | 5             | 5           |
| Children's Services            | 19         | 11          | 3                     | 0             | 5           |
| Adults Services                | 20         | 12          | 6                     | 0             | 2           |
| Neighbourhoods & Strategic Dvt | 26         | 16          | 6                     | 0             | 4           |
| <b>Total</b>                   | <b>108</b> | <b>69</b>   | <b>18</b>             | <b>5</b>      | <b>16</b>   |
| <b>Total %</b>                 |            | <b>64%</b>  | <b>17%</b>            | <b>4%</b>     | <b>15%</b>  |

- 4.2 A separate report is provided regularly to Audit Committee detailing outstanding critical, major and significant recommendations. The reporting and escalation process has been strengthened to ensure Strategic Directors and Executive Members are made aware of outstanding recommendations (6 months overdue) on a regular basis. Strategic Directors are required to attend Audit Committee to provide updates on recommendations which remain outstanding (9 months overdue).

4.3 At year end the reports with outstanding recommendations were:

- Corporate Core: One System: Application Audit
- Corporate Core: Payments (Purchase Cards)
- Corporate Core: Contractor Whistleblowing Arrangements
- Corporate Core: Housing Revenue Account – Budget Setting and Budget Monitoring
- Children’s Services: Early Help
- Children’s Services: Children Missing from Home
- Adults Services: Transition to Adult Services
- Neighbourhoods and Strategic Development: Investment Estate Income
- Neighbourhoods and Strategic Development: Revenue Contract Management – Galleries
- Neighbourhoods and Strategic Development: Highways Framework TC886

4.4 The next full recommendation update report which confirms the current position on all outstanding actions will be presented to Audit Committee in July 2019.

## **5. Conclusion**

5.1 Members are asked to consider the Internal Audit Outturn Report 2018/19.