

## Manchester City Council Report for Information

**Report to:** Audit Committee - 30 July 2019

**Subject:** Outstanding Audit Recommendations

**Report of:** Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management

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### 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 current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

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### Recommendations

Audit Committee are asked to note the current process and position in respect of high priority Internal Audit recommendations.

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**Wards Affected:** All

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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.

- Outstanding Audit Recommendations Report to Audit Committee February 2019

## 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 Details of progress on all individual outstanding recommendations are provided to Strategic Management, Executive Members and Audit Committee to enable oversight of progress to address exposure to risk. It should be noted that in line with the new audit approach the category “major” in respect of recommendations has been withdrawn for new audit work so there are now four categories: critical, significant, moderate and minor. High priority represents those recommendations classified by Internal Audit as critical or significant and deadlines are those agreed with the business at the time of the audit.
- 1.3 This report provides the details of outstanding recommendations in the high categories. It focuses solely on Internal Audit recommendations as there are currently no External Audit recommendations outstanding.

## 2 Process

- 2.1 Internal Audit follows up management actions on agreed high priority recommendations formally at least quarterly to provide independent assurance that progress is being made to address risk. Management are required to provide evidence to support and confirm implementation to enable an assessment of sufficiency of actions taken. Internal Audit consider 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 Progress made in the implementation of agreed actions from audit reports is reported quarterly to Directorate Management Teams (DMTs), Senior Management Team (SMT), and Audit Committee. For any high priority recommendations reaching six months overdue Executive Members are notified for information. At nine months overdue, Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and any actions being proposed to address or accept the reported risks.
- 2.3 If recommendations are not implemented within 12 months of the due date and subject to any additional requirements or actions agreed by Audit Committee, Internal Audit refer the risks back to Strategic Directors to consider as part of their own assurance risk assessment.
- 2.4 Strategic Directors gain wider assurance over the implementation of recommendations as part of DMT reports, Internal Audit reporting and annual governance statement questionnaires which are completed by all Heads of Service, and the results are summarised in the Council’s Annual Governance Statement.

### **3 Current Implementation Position**

3.1 The position in terms of high priority internal audit recommendations is summarised below and provided in more detail in the appendices attached to this report.

#### **Implemented Recommendations (Appendix 1)**

3.2 Since the last update in February 2019 Internal Audit has confirmed that there has been action completed to address 32 high priority recommendations in 21 audits which implemented as follows:

- Art Gallery Contract Management (4)
- HROD Contract Management (2)
- Factory Governance Arrangements (1)
- Multi Links Commissioning Review – Advice and Guidance (1)
- Insurance Arrangements in Contracts (1)
- Contractor Whistleblowing Arrangements (2)
- Highways Framework (2)
- Factory Financial Reporting (1)
- ICT Software Licensing (1)
- Income and Debt Management Investment Estate (1)
- Corporate Taxi Framework (3)
- Transition to Adult Services (2)
- MASH (1)
- Early Help (3)
- Troubled Families (1)
- Children Missing from Home (1)
- School Attendance: Penalty Notices (1)
- Retail Markets (1)
- Purchase Cards (1)
- Social Value (1)
- Town Hall Disposals (1)

#### **Outstanding Recommendations**

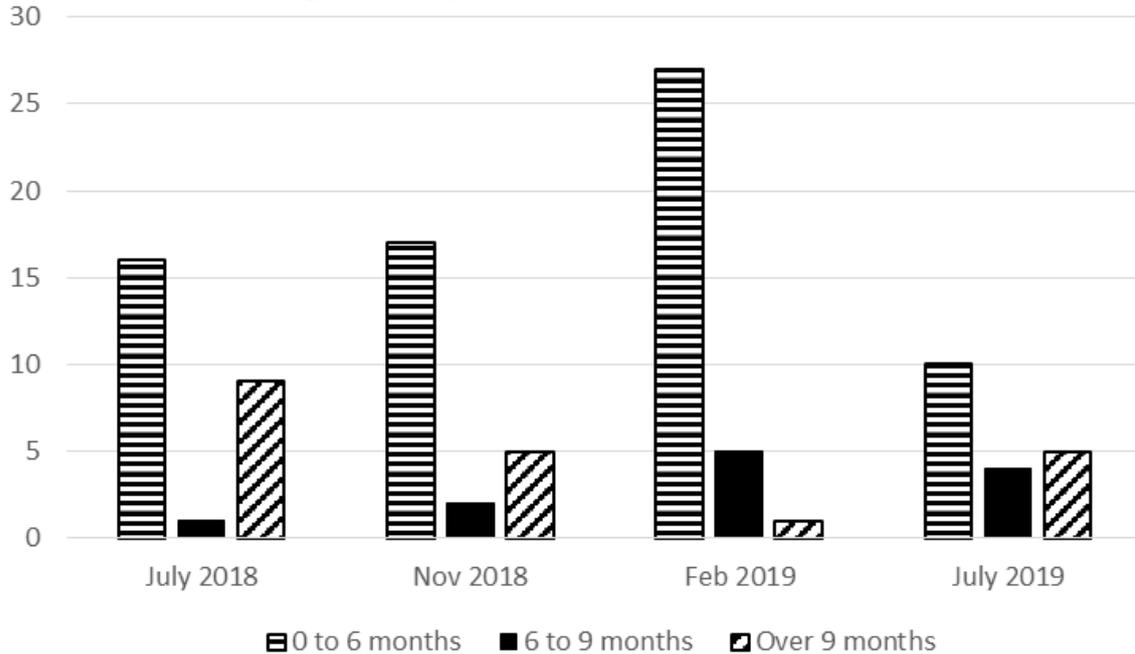
3.3 There remain in total 19 recommendations in 12 audit reports are currently overdue past the agreed implementation dates as follows:

- Five recommendation which has been outstanding over nine months
- Four recommendation are six to nine months overdue
- 10 recommendations are between one and six months overdue

3.4 The 19 recommendations comprise actions that remain fully outstanding (9) or have been classed as partially implemented (10). All of the recommendations outstanding over 9 months are in progress and updates have previously been provided to Audit Committee by the Director, Assistant Director and Executive Member

3.5 Overall implementation as at July 2019 is positive compared to prior periods. Graph 1 below shows the reported position on all numbers of high priority recommendations outstanding over the last 12 months. There was a peak of recommendations outstanding in February 2019 (33) and a significant decrease in the last period in recommendations up to six months overdue. The increase in recommendations outstanding over nine months in this period relates to the Adults Services actions noted above and explained further in paragraphs 3.7-3.9 below.

**Graph 1: Overdue High Priority Audit Recommendations 2018-2019**



3.6 Internal Audit has provided updates on the status of all recommendations where appropriate in the latest DMT assurance reports or in correspondence and continue to liaise with management to establish progress and evidence of implementation.

**Overdue More than Nine Months (Appendix 2)**

- Homecare Services - Contract Management (1 partially implemented)
- Disability Supported accommodation Services (2 partially implemented)
- Transition to Adults (3 recommendations, 2 of which partially implemented)

- 3.7 For Homecare Services the Assistant Director attended Audit Committee in March 2019 and confirmed that interim arrangements had been put into place pending the establishment of the new contract framework. This is a review process to provide greater assurance over the accuracy and completeness of billing including verification of variations. Any repeated invoicing which is regularly above or below contracted hours is allocated for internal review to ensure citizens are receiving the right level of care. In order to support capacity to manage the required reviews the service is currently recruiting more managers as part of the Adults Improvement Plan. A new implementation date of October 2019 was agreed with Audit Committee and at that stage Internal Audit will seek assurance and update Committee on actions taken to meet this new deadline.
- 3.8 Some action to address the outstanding recommendations from the Disability Supported Accommodation Services audit has been taken by management who recognised the need for improvement. There has been some delay in providing evidence of implementation of actions including details of a register of service users and evidence that the quality audit approach is now embedded within the service. The new service manager is now in place and a formal follow up audit is now planned for completion in July.
- 3.9 Transitions has been included in the Adults Improvement Plan for the coming year and is considered a high priority. Planned actions include a review of vision and strategy which will inform the basis of the new service. Audit Committee received an update on this area of risk from the Assistant Director Adult Services and Executive Member, Adults Health and Wellbeing in March 2019. Internal Audit have confirmed that the Transitions Board is now established with terms of reference to take forward the service improvement work and that interim actions have been taken to strengthen parts of the service but it is acknowledged that there remains significant work to do. Internal Audit propose that the Director of Adult Services is asked to attend Audit Committee to provide an update on progress to implementation as part of the Adults Service Improvement action plan in September 2019.

**Overdue for 6 – 9 months (Appendix 3)**

- 3.10 Four recommendations have been overdue for between six and nine months in four audit reports.
- Multi Links Commissioning Review – Advice and Guidance (1)
  - Children Missing from Home (1 partially implemented)
  - Purchase Cards (1)
  - ICT Software Licensing (1 partially implemented)

## **Overdue less than 6 months (Appendix 4)**

3.11 10 recommendations have been overdue for between one and six months in six audit reports. Some of these reports also include additional recommendations which have not yet fallen due or include moderate risk recommendations and all have agreed action plans. Internal Audit will continue to monitor these as part of an activity programme of review and as part of scheduled follow up audits. The recommendations are all shown in appendix four and relate to the following:

- Children Missing from Home (2)
- Factory Project: Financial Reporting (1 partially implemented)
- Off Rolling Arrangements (1)
- School Attendance: Penalty Notices (1 partially implemented)
- Adults Oversight and Supervisions (2 recommendations)
- ICT Software Licensing (3 of which 1 partially implemented)

## **4 Recommendations**

4.1 Audit Committee are asked to note the current process and position in respect of high priority Internal Audit recommendations.