

Manchester City Council Report for Information

Report to: Audit Committee - 12 November 2019

Subject: Outstanding Audit Recommendations

Report of: Deputy Chief Executive and City Treasurer / 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 current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

Recommendations

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

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 30 July 2019
- Adult Social Care Improvement Programme Report to Audit Committee 15 October 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 shared with Strategic Management Team, Executive Members and Audit Committee to enable oversight of progress to address exposure to risk. From 2019/20 there are four categories of recommendation priority: critical, significant, moderate and minor assigned based on risk. High priority are those recommendations classified by Internal Audit as critical or significant and deadlines for action are agreed with the business at the time of the audit.
- 1.3 This report provides the details of progress to address outstanding recommendations in the High Priority categories.
- 1.4 This report focuses solely on Internal Audit recommendations as there are currently no High Priority External Audit recommendations currently outstanding. Two Medium Priority recommendations were raised in the External Audit Completion Report in July 2019 and Internal Audit will follow these up with management to confirm actions have been taken and provide an update to the External Auditor as part of the interim audit in January 2019. These related to IT access privileged access users and registers of interest. We are aware that actions are underway to address these recommendations.

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 implementation to enable an assessment of sufficiency of actions taken. 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 Progress made in the implementation of agreed actions from audit reports is reported quarterly to Directorate Management Teams (DMTs), Strategic 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 formal update in July 2019 Internal Audit has confirmed that there has been action completed to address seven high priority recommendations in seven audits which have been implemented as follows:
- Multi Links Commissioning Review – Advice and Guidance (1)
 - Factory Financial Reporting (1)
 - Off Rolling Arrangements (1)
 - Prevention and Detection of Procurement Fraud – Use of System Data (1)
 - ICT Software Licensing (1)
 - Penalty Notices (1)
 - Homecare Services Contract Management (1)

Outstanding Recommendations

- 3.3 There are currently a total of 31 recommendations in ten audit reports which overdue past the agreed implementation dates and are being monitored:
- Seven recommendations which have been outstanding over nine months.
 - Two recommendations which are six to nine months overdue.
 - 22 recommendations which are between one and six months overdue.
- 3.4 The 31 recommendations comprise actions that remain fully outstanding (24) or have been classed as partially implemented (7). All of the recommendations outstanding over 9 months are in progress and an update is provided below.
- 3.5 Implementation progress is not as positive as last reported in July 2019. There was a peak of recommendations outstanding in February 2019 (33) and a significant decrease in the last period in those recommendations up to six months overdue but this has risen again. The increase in recommendations outstanding over nine months in this period relates to the Adults Services actions noted above and explained further below.
- 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)

- Disability Supported accommodation Services (2 recommendations outstanding)
- Transition to Adults (3 recommendations, 2 of which partially implemented)
- Children Missing from Home (1 recommendation outstanding)
- Purchase Cards (1 partial implemented recommendation)

- 3.7 A follow up audit for disability supported accommodation services quality assurance framework was undertaken and concluded that the recommendations remain outstanding. While the workshop proposed had been held to develop and agree the audit tool and the new moderation process there is still work to do in embedding this and demonstrating consistency of approach before the recommendation can be confirmed as implemented. The audit report on this is appended to the Internal Audit Assurance Report 2019/20 for presentation to Audit Committee on 12 November.
- 3.8 Transitions is an area of focus in the Adults Improvement Plan and is considered a high priority. As reported to Audit Committee in previous reports there is still work to do before the risks have been addressed and recommendations are now 14 months overdue. 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 Executive Director of Adult Social Services and Executive Member, Adults Health and Wellbeing 15 October 2019.
- 3.9 Children Missing from Home (CME) audit has one outstanding recommendation over nine months relating to the development of a suite of measures to inform management monitoring and review. This is a complex area and there is now a GM wide dashboard in place which includes Child Sexual Exploitation and Child Criminal Exploitation and one CME indicator. As this is a broad high level CME measure there remains a need to develop appropriate operational performance indicators to implement this recommendation. Management have confirmed this is planned for completion in November 2019 and will be reassessed at that stage to enable the recommendation to be confirmed as implemented. If actions are not addressed at this stage then the Director and Executive Member will be advised to attend the January 2020 Audit Committee to update on steps required to manage this risk.
- 3.10 A recommendation for purchase cards has been partially implemented and is now 10 months overdue. This recommendation related to the need to clarify guidance and expectations in respect of provision of gifts and hospitality. The requested guidance has been considered against the requirements of Section 27 of the Localism Act 2011, and against the “lessons learned” from a Westminster City Council Standards Committee report, which advised that

guidance should have status of a clear code and as such should be included in both Member and Employee Codes of Conduct. The Member Code is currently under review and this will be included as part of this revision. Similarly, the Employee Code is also due to be reviewed and again this will be incorporated but this will only be completed by March 2020 as part of a wider review of the Codes. In the short term, amendments to the Purchase Card guidance have included the requirement for hospitality to be signed off by the Strategic Director prior to provision, which should reduce the risks regarding hospitality paid for via purchase cards. The City Solicitor will attend Audit Committee to confirm the current position on these actions and steps planned for completion.

Overdue for 6 – 9 months (Appendix 3)

- 3.11 Two recommendations have been overdue for between six and nine months in one audit report. If these recommendations are not implemented within the next three months an update will be provided by the Strategic Director as proposed in paragraph 3.9 above:
- Children Missing from Home (2 recommendations outstanding)

Overdue less than 6 months (Appendix 4)

- 3.12 22 recommendations have been overdue for between one and six months in five audit reports. Some of these reports also include additional recommendations which have not yet fallen due and/or moderate risk recommendations and all have agreed action plans. Internal Audit will continue to monitor these as part of an active programme of review and as part of scheduled follow up audits. The recommendations are all shown in appendix four and relate to the following:

- ICT Software Licensing (3 of which 2 partially implemented)
- Mental Health Casework (4 recommendations)
- Our Manchester Voluntary and Community Grants Monitoring (1 recommendation)
- Assessed and Supported Year in Employment (3 recommendations of which 1 partially implemented)
- Adults Services Management Oversight and Supervisions (2 recommendations)
- Management Oversight and Supervisions: Children's Services (9 recommendations)

4.0 Recommendations

- 4.1 Audit Committee are asked to consider the current progress and position in respect of high priority Internal Audit recommendations.