

**Manchester City Council  
Report for Information**

**Report to:** Audit Committee – 15 September 2020

**Subject:** ICT Software Licences – Software Asset Management (SAM)

**Report of:** Director of ICT

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**Summary**

Audit Committee receive regular updates on progress in the implementation of audit recommendations. Previous reports have highlighted that there were recommendations assessed as partially implemented from an audit of ICT Software Licensing. This report explains the actions taken to reduce risk, barriers to full implementation and management’s rationale for accepting the current, reduced level of risk.

**Recommendations**

Audit Committee are requested to consider the actions taken in response to the Internal Audit of software licensing and the decision of management to accept a much reduced level of residual risk.

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**Wards Affected:** None

<b>Environmental Impact Assessment</b> - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
Not applicable

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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. Internal Audit Assurance and Recommendation Monitoring reports to Audit Committee 2018/19 and 2019/20

## **1. Background**

- 1.1. Manchester City Council has a complex ICT environment and a key component of this is the number of software applications in operation. These range from simple systems with a small number of users, to complex major systems such as SAP and Liquid Logic, through to full enterprise wide solutions that are used across the entire Council such as GSuite and Microsoft. Ownership and management of a number of these applications has historically been decentralised, with responsibilities devolved to numerous teams across the organisation, often resulting in an inconsistent and largely informal approach to software licensing management.
- 1.2. ICT initiatives over recent years have brought a number of critical applications under central ICT control, whilst also introducing a requirement for all future applications to be centrally procured and managed. Due to the increasingly varied and complex ways of licensing software applications, through rental models, cloud based solutions and software-as-a-service, rather than outright ownership, effective software management controls are imperative to ensure we can demonstrate a position of compliance, both internally to demonstrate value for money and externally to software suppliers.
- 1.3. The impact of poor software licensing management could range from the Council incurring expenditure on licences that may no longer be required, through to the imposition of significant fines or application access being restricted by the supplier.

## **2. Internal Audit Report**

- 2.1. Given the inherent risks around software licensing this was an area of focus in the 2018/19 Internal Audit Plan. This audit was completed and the report issued in July 2018. This provided limited assurance “due to the general lack of formal software licensing management controls and the resulting number of significant risk findings that have been identified across each area of our scope”. The report noted that progress had been made but there was significant amount of work required to address risks in relation to policy, procedures, resources and license reviews.
- 2.2. The report made two major and three significant priority recommendations for implementation by April 2019. A major priority recommendation relating to the software asset management policy and procedures and a significant priority recommendation in respect of SAP licenses have been confirmed by Internal Audit as implemented. Work to address the remaining recommendations has been progressed but the original, agreed actions have not been fully implemented and as such have not been signed off as fully complete by audit.

## **3. Actions to Date**

- 3.1. Action has been taken to reduce risk exposure, however, based on the specific actions agreed with Internal Audit, these recommendations are classed as ‘partially implemented’. The current position is as follows:

## **Systems and Resources**

- 3.2. Two of the recommendations were based on the development of a business case for dedicated staffing resource and the acquisition of software licensing tools to track licenses and activity across all systems. The business case was developed and a full time resource has been appointed to a new role of Licensing Manager. This has resulted in a dedicated focus in this area and the development of an inventory of licenses using spreadsheets and other existing tools. The Licensing Manager has led 'deep dives' in key systems to obtain a more accurate view of the licensing entitlement position and actual usage. This has been done for the five major software vendors used by the Council, including SAP and Microsoft, and provides positive assurance over both value for money and compliance. Whilst this is time intensive it does provide confidence to management and to Internal Audit over the management of risk.
- 3.3. Confidence has also been obtained through the Public Services Network (PSN) compliance project which includes regular scans of the Council's ICT infrastructure. This is designed to highlight potential vulnerabilities but also enables out of date or other software anomalies to be identified and addressed.
- 3.4. Further assurance has been obtained through the redesign of processes as recommended by Internal Audit and that have been confirmed as implemented. These include the establishment of gateway processes and the formal recording of any new software requests or purchases through the ICT ServiceNow system. This system is designed to prevent the acquisition of local applications or software within services and provides a level of confidence over the accuracy of licensing records and levels of compliance with supplier terms and conditions. Software licensing is also a standing agenda item for the Commissioning and Contract Group, in which all directorates are represented, to reinforce the requirement for all ICT investment and software acquisitions to be sourced centrally via the ICT service.
- 3.5. The original intention and agreed action in the audit report was to procure a specific Software Asset Management (SAM) system to minimise manual effort and centralise all license records in a single system. This has not been progressed as review of the market indicates that a system would cost in the region of £75k-100k per annum. This investment is currently included on the 2021/22 ICT plan but is unlikely to be progressed as a result of the need to allocate finite resources to higher priority investment projects such as telephony replacement, wide area network upgrade and the implementation of Office 365. In addition, a new system would require capacity from the ICT Enterprise Architecture team to oversee the technological solution and associated investment and this team will be focused on other high priority projects for at least the next 12 months.

## **Policy and Process**

- 3.6. The other significant priority recommendation was to confirm roles and responsibilities in respect of ICT licensing and to ensure that this was communicated to relevant stakeholders both within ICT and across the Council.

In response a policy that includes details of roles and responsibilities has been approved and published, but it is recognised that awareness of this remains low. The intention is to highlight this and other relevant policies as part of the launch of the new intranet in 2020/21. Supporting processes and procedures have also been developed as described above and whilst there remains a need to continue to check and challenge ICT investment activity the overall risk in this area has been significantly reduced.

#### **4. Conclusion**

- 4.1. Actions agreed in response to the Internal Audit report from July 2018 have been largely addressed. These have taken longer than originally planned but the work of the Licensing Manager, PSN project, new gateway processes and agreement of the SAM policy means the level of exposure to risk as described in the report has been significantly reduced.
- 4.2. These mitigating actions and plans were discussed with Internal Audit and whilst the preference of audit and ICT would remain for a specific SAM system, it was agreed that the current arrangements have significantly reduced the exposure to risk and it was accepted that other ICT projects required for 2021/22 are likely to take priority. On this basis the recommendations were assessed as having been largely addressed and that this position should be reported to Audit Committee and agreement sought for these recommendations to be removed from the ongoing audit monitoring processes.

#### **5. Recommendation**

- 5.1. Audit Committee are requested to consider the actions taken in response to the Internal Audit of software licensing and the decision of management to accept a much reduced level of residual risk.