

**Manchester City Council
Report for Information**

Report to: Audit Committee 11 February 2019

Subject: Outstanding Audit Recommendations

Report of: 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 is 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):

Documents used in the development of the assurance report include:

- Outstanding Audit Recommendations Reports to Audit Committee July and November 2018

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. Audit Committee have agreed to focus on agreed actions which had not been implemented within nine months of the due date. Where this is the case the relevant Strategic Director and Executive Member are to attend Audit Committee to explain the reasons for delay and to confirm proposed actions.
- 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. High priority represents those recommendations classified by Internal Audit as significant, major and critical and deadlines are those agreed with the business at the time of the audit. This report provides these details.
- 1.3 The report 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 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 Director assurance over the implementation of recommendations is also obtained as part of annual governance statement questionnaires completed by all Heads of Service, the results of which 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 November 2018 Internal Audit has confirmed that there have been 18 high priority recommendations implemented in 11 audits as follows:

- North West Foster Care Framework Contract Monitoring Review (1)
- Contract Creation and Formalisation (1)
- HROD Contract Management (1)
- SAP Expenditure Approval (1)
- Data Analysis: Mobile Devices (1)
- Expenses Compliance (1)
- IR35 Compliance (2)
- LiquidLogic Data Migration (4)
- Purchase Cards (3)
- Events Management (2)
- MASH (1)

3.3 Of particular note are that recommendations relating to Contract Creation and Formalisation; North West Foster Care Framework Contract Monitoring; Liquid Logic Data Migration; and Events Management as areas of focus in previous Audit Committee meetings have now been assessed and evidenced as implemented.

Outstanding Recommendations

3.4 In total 33 recommendations in 18 audit reports are currently overdue past the agreed implementation dates as follows:

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

3.5 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)

- 3.6 There is one recommendation more than nine months overdue. This relates to the MASH where the recommendation remains partially implemented 15 months past the original agreed implementation date. Action has been ongoing and Internal Audit have been informed that the new process agreed to address risks raised in the original report is now in operation and the first management audit will be completed shortly. When this is completed and reviewed by Internal Audit in February this should enable us to confirm the action has been implemented and that all high priority recommendations raised in the original Internal Audit report have been addressed.

Overdue for 6 – 9 months (Appendix 3)

- 3.7 Five recommendation have been overdue for between six and nine months in two reports. The Director of Adults Services has previously attended Audit Committee to advise on actions being taken in response to issues raised in these two reports and reasons for the time taken to fully implement agreed actions.

- Homecare Service Contract Management (1 partially implemented)
- Transitions (2 not implemented, 2 partially implemented)

Overdue less than 6 months (Appendix 4)

- 3.8 27 recommendations have been overdue for between one and six months in 15 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. The recommendations are all shown in appendix four and relate to the following:

- Art Gallery Contract Management (4: 3 partially implemented)
- HROD Contract Management (2 partially implemented)
- ICT Software Licensing (2)
- Factory Governance Arrangements (1 partially implemented)
- Multi Links Commissioning Review – Advice and Guidance (2)
- Retail Markets (1 partially implemented)
- Insurance Arrangements in Contracts (1 partially implemented)
- Contractor Whistleblowing Arrangements (2: 1 partially implemented)
- Disability Supported Accommodation Services: Quality Assurance Framework (2 partially implemented)
- Early Help (3 partially implemented)
- Troubled families (1 partially implemented)
- Children Missing from Home (2: 1 partially implemented)
- Purchase Cards (2)
- Transition (1)
- Income and Debt Management (1)

4 Recommendations

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