

Appendix Two: Audit Report Executive Summaries (Opinion Audits)

The following Executive Summaries have been issued for audit opinion reviews finalised in the quarter and are attached below.

Reference in Appendix	Audit Area	Audit Status
ES 1	Highways Framework Follow Up 17.06.19	Final
ES 2	Insurance Arrangements in Contracts Follow Up 18.06.19	Final

ES1. Manchester City Council Internal Audit 2019/20**Neighbourhoods Directorate****Highways Framework TC886 Follow Up Report****Distribution - This report is confidential for the following recipients**

Name	Title
Steve Robinson	Director of Operations, Responsible Officer
Fiona Worrall	Strategic Director (Neighbourhoods), Accountable Officer
Councillor Stogia	Executive Member
Ian Halton	Head of Design, Commissioning and PMO
Peter Schofield	Head of Integrated Commissioning and Procurement
Joanne Roney	Chief Executive
Carol Culley	Deputy Chief Executive and City Treasurer
Fiona Ledden	City Solicitor
Janice Gotts	Deputy City Treasurer
Karen Murray	External Audit

Report Issued	17 June 2019
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Report Authors Senior Auditor Interim Lead Auditor Audit Manager	Jess Jordan Clare Roper Kathryn Fyfe	X36842 X35264 X35271
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Audit Objective	Overall Implementation Status
To provide assurance over the implementation of audit recommendations agreed in response to the audit of Highways Framework TC886 issued in January 2019.	Implemented

1. **Audit Summary**

1.1 In December 2018 we undertook a review of a Highways Framework Agreement (TC886 – Highways and Infrastructure Framework) to provide assurance over the governance arrangements and management of the framework.

1.2 Based on the work undertaken we provided a limited assurance opinion and made the following number of recommendations for improvement with agreed target dates for implementation between January and March 2019.

Priority	Accepted	Rejected
Critical	0	0
Significant	2	0
Moderate	2	2
Minor	0	0

1.3 In order to provide assurance to the Accountable Officer (SMT Chief Officer), SMT and Audit Committee we undertook a follow up audit to confirm whether the exposure to risk had reduced.

1.4 This was not a full re-review of the operation of the Highways and Infrastructure Framework but rather an assessment of progress made with the implementation of the agreed audit recommendations.

2. **Conclusion and Opinion**

2.1 Our review of progress against these recommendations shows that all four have now been implemented we therefore conclude there is a reduction in the overall exposure to risk associated with the current framework.

2.2 The original recommendations and current confirmed status are attached below.

2.3 Based on the work completed and assurance obtained we will include the reported status of these actions in our quarterly update reports to SMT and Audit Committee.

Status Update

Note that recommendations 2 and 5 were low priority with no agreed actions where management accepted the reported risks on receipt of the original, final report.

Recommendation 1 (Significant)

The Director of Operations should consider how to demonstrate that value for money is achieved from direct allocations. This may be through the use of market testing or knowledge or a comparison of the quote provided against expected costs generated from the schedule provided as part of the tender process. The results of any value checks undertaken should be recorded on the direct allocation sheet. Officers should be reminded that suppliers can be rejected and the next supplier approached where the quote provided is shown not to provide value for money.

Internal Audit Assessment:

Since the audit was completed the Director of Operations has provided staff with a reminder regarding the value for money aspect of the award process and the direct award report has been amended to include a section which clearly outlines why value for money is being achieved. We note that the direct award route is only rarely used now and continues to be subject to six monthly reviews with senior Procurement and Internal Audit staff.

As such we consider this recommendation is now implemented.

Recommendation 3 (Significant)

The Director of Operations should formalise the process for administering the management fee in readiness for increased use of the framework. This should then be applied for all projects going forward.

Internal Audit Assessment:

We have now seen the completed process which shows how the administration fee is implemented with responsibility for raising the charge falling to the individual project leads. Agreement over whether payments will be staged or made in a lump sum is to be agreed over individual projects due to the variety in size and complexity of projects going through the process.

As such we consider this recommendation is now implemented.

Recommendation 4 (Moderate)

The Director of Operations should progress with identifying the pipeline of work as a priority and once in place is maintained on an ongoing basis. Once the pipeline is identified contract management meetings with all suppliers used should be undertaken on an at least annual basis to confirm satisfaction with performance and to identify any areas of improvement for future years.

Internal Audit Assessment:

A pipeline document is now in place and continues to be developed as new projects are formulated. We are aware this is a living document and that the Director of Operations would aim to extend the view of the document further into the future as and when this information is available.

As such we consider this recommendation is now implemented.

Recommendation 6 (Moderate)

The Director of Operations should ensure that appropriate insurance checks are in place ahead of any direct allocations being made. This may be through checks by individual call off staff but given the value and volume of allocations on these lots a better use of resources may see those checks centrally coordinated for lots 1 and 5. This should also consider how assurance is gained that the insurance provisions are appropriate for projects which take place over a longer time frame.

Internal Audit Assessment:

A tasks and responsibilities sheet has now been designed to be completed by the project teams which includes the requirement to ensure that the correct level of insurance is in place throughout the life of the project.

As such we consider this recommendation is now implemented.

ES2. Manchester City Council Internal Audit 2019/20**Corporate Core: Corporate Services Directorate****Insurance Arrangements in Contracts Follow Up Report****Distribution - This report is confidential for the following recipients**

Name	Title
Peter Schofield	Head of Integrated Commissioning and Procurement, Responsible Officer
Janice Gotts	Deputy City Treasurer, Accountable Officer
Councillor Ollerhead	Executive Member
Mark Leaver	Strategic Lead, Integrated Commissioning
Paul Murphy	Group Manager, Procurement
Karen Lock	Procurement Manager Level II
Lisa Richards	Insurance and Claims Manager
Joanne Roney	Chief Executive
Carol Culley	Deputy Chief Executive and City Treasurer
Fiona Ledden	City Solicitor
Karen Murray	External Audit

Report Issued	18 June 2019
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Report Authors		
Senior Auditor	Jess Jordan	X36842
Interim Lead Auditor	Clare Roper	X35264
Audit Manager	Kathryn Fyfe	X35271

Audit Objective	Overall Implementation Status
To provide assurance over the implementation of audit recommendations agreed in response to the audit of Insurance Arrangements in Contracts issued in September 2018.	Implemented

1. **Audit Summary**

1.1 In September 2018 we undertook a review of the insurance arrangements in contracts to provide assurance that there were appropriate controls in place to ensure sufficient cover was being maintained by contractors throughout the life of contracts.

1.2 Based on the work undertaken we provided a limited assurance opinion and made one recommendation for improvement with an agreed target date for implementation of December 2018.

Priority	Accepted	Rejected
Critical/Major	1	0
Significant	0	0
Moderate	0	0
Minor	0	0

1.3 In order to provide assurance to the Accountable Officer (SMT Chief Officer), SMT and Audit Committee we undertook a follow up audit to confirm whether the exposure to risk had reduced.

1.4 This was not a full re-review of the insurance arrangements in contracts but rather an assessment of progress made with the implementation of the agreed audit recommendation.

2. **Conclusion and Opinion**

2.1 Our review of progress against the recommendation shows that it has now been implemented we therefore conclude there is a reduction in the overall exposure to risk associated with this area.

2.2 The original recommendation and current confirmed status are attached below.

2.3 Based on the work completed and assurance obtained we will include the reported status of these actions in our quarterly update reports to SMT and Audit Committee.

Recommendation 1 (Major)

The Head of Strategic Commissioning and Head of Corporate Procurement in conjunction with the City Solicitor should define contract managers' responsibilities around insurance cover within contracts.

As part of this additional consideration should be given to:

- The process for 'handover' of insurance information from Corporate Procurement to the contract manager and whether this should be formalized to encourage ownership of the process.
- The need for additional checks where supplier financial difficulty is identified to ensure that payments are being maintained to ensure continuance of cover (and the format that this may take).
- The enhancement of existing guidance available for contract managers to require them to act on renewal dates promptly to confirm appropriate cover is in place. This could be covered as part of annual contract management reviews.

Internal Audit Assessment:

Since the audit was completed the Integrated Commissioning team have taken action to amend and clarify the standard MCC contract documents and guidance to clarify the risks and roles around insurance. This work included an update of the corporate Contract Management User Guide to include a number of slides on contract managers' responsibilities over insurance in contracts which is available on the intranet. Implementation checklists and suggested contract management agendas have been updated to reflect the need for insurance to be included as part of discussions with the contractor. Information on the checks to be undertaken was also included in the Commercial Bulletin issued earlier in the year. Work has commenced to include responsibilities around this in the Raising the Bar contract modules and Our Manchester direct staff training. This will also be included in the upcoming e-learning modules on contract management to be rolled out later this year.

As such we consider this recommendation is now implemented.

Appendix Three: Basis of Audit Assessment

Level of Assurance	Description		
<i>The level of assurance is an auditor judgement applied using the following criteria</i>			
Substantial	Sound system of governance, risk management and control. Issues noted do not put the overall strategy / service / system / process objectives at risk. Recommendations will be moderate or minor.		
Reasonable	Areas for improvement in the system of governance and control, which may put the strategy / service / system / process objectives at risk. Recommendations will be moderate or a small number of significant priority.		
Limited	Significant areas for improvement in important aspects of the systems of governance and control, which put the strategy / service / system / process objectives at risk. Recommendations will be significant and relate to key risks.		
No	An absence of effective governance and control is leaving the strategy / service / system / process open to major risk, abuse or error. Critical priority or a number of significant priority actions.		
Priority	Assessment Rationale		
<i>The priority assigned to recommendations is an auditor judgment applied using an assessment of potential risk in terms of impact and likelihood.</i>			
Critical	Significant	Moderate	Minor
Actions < 3 months	Actions < 6 months	Actions < 12 months	Management discretion
<ul style="list-style-type: none"> • Impact on corporate governance • Life threatening / multiple serious injuries or prolonged work place stress • Severe impact on service delivery • National political or media scrutiny • Possible criminal or civil action • Failure of major projects • SMT required to intervene. • Statutory intervention triggered. • Large (25%) impact on costs/income • Impact on the whole Council. 		<ul style="list-style-type: none"> • Some impact on service governance • Some risk of minor injuries or workplace stress • Impact on service efficiency • Internal or localised external scrutiny • Procedural non compliance • Impact on service projects • Handled within Service • No external regulator implications • Cost impact managed at Service level • Impact on Service or Team 	
Impact			
<i>Impact is the auditor assessment of criticality of the strategy / service / system / process being audited to the achievement of the Council's priorities and discharge of functions and duties in the following areas. This is described in the Audit Terms of Reference</i>			
Strategic Objectives		Key Partnerships	
Safety and Welfare		Finance and Resources	
Corporate Risk		Key Service Fulfilment	
Organisational Change		Statutory Duty	