



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Internal Audit Progress Report 1

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Distribution: Corporate Leadership Team
Corporate Governance Group
Audit Committee

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1 Introduction and Background

- 1.1 The report sets out the progress made in the period 1st February 2020 to 31 July 2020 against the 2019/20 and 2020-21 audit plans.

2 Status of Internal Audit Work

- 2.1 The table below shows the cumulative number of internal audit reviews completed, in progress with respect to high and medium priority risk based audit work during the period from 1st February 2020 to 31 July 2020.

Audit Plan Year	Audit Status	No. of Reviews
2019/20	Audits completed	4
	Audits substantially completed or at draft report stage	6
2020/21	Audits completed	2
	Audits substantially completed or at draft report stage	2
	Audits in progress (incl new additional work)	10
	Audits not yet started	40
	Audits deferred	15

3 Outcomes from Final Reports

- 3.1 The detailed outcomes from each finalised audit since 1st February 2020 to 31st March 2020 are shown in the Head of Internal Annual Audit Report and Opinion (to be reported to Audit Committee in September 2020). Those detailed outcomes for each finalised audit since 1st April 2020 are shown in Appendix B. It should be noted that since the delivery of these audits, the control environment may have changed considerably and the follow up reviews of these audits will take this into consideration.

4 Coronavirus response work and impact on 2020-21 audit plan

- 4.1 Shortly after the 2020-21 audit plan was developed, the country went into lockdown during the coronavirus pandemic. A number of frontline and support services were deployed to resourcing the coronavirus response work and this has understandably had an impact on the ability of the Internal Audit team to commence the planned reviews.
- 4.2 Since then, a member of staff has been redeployed temporarily to the Revenues and Benefits team for 30 days to assist with the new business rates grants and associated

queries. Alongside this was the utilisation of several members of the team (including the Head of Internal Audit) to quickly develop new systems around verification testing of these grants which has taken approximately 60 days.

- 4.3 Additional resources were further required of the Internal Audit team to undertake testing of the new business rates discretionary grant which is currently ongoing. Whilst this has delivered significant benefits in terms of assurance on controls and identifying suspected 42 suspected fraudulent payments (totalling £470k) this has had an impact on resources available for other work. For example we are continuing to work with Revenues and Benefits colleagues to ensure the effective recovery of these fraudulent payments.
- 4.4 In addition, further requests were made of Internal Audit management staff to undertake a number of specialised advisory and consultancy support relating to equality impact assessments, ethics committees and risk support and advice around the social care market. A summary of these can be seen in Appendix A and D. We have now included the additional reviews arising from the coronavirus response work in our revised audit plan.

5 Counter Fraud work and Investigations

Proactive counter fraud work

- 5.1 The revised Audit Plan includes 60 days for counter fraud work, which includes two proactive anti-fraud reviews, and participation in the National Fraud Initiative. No work has been done yet in this audit year.

Investigations

- 5.2 Two investigations are have been undertaken in the period. These are included in Appendix D

6 Schools and Other Work

- 6.1 Appendix C summarises the work done in this period to complete the 2019-20 school reviews. Furthermore the Summary Annual School Audit Report 2019/20 was presented to the Schools Forum in June 2020.
- 6.2 Appendix D summarises the requests for other work advice or ad-hoc audit work that have been dealt with by the team in the five months to the 31 July 2020. These include advice and ad-hoc audit work, risk management consultancy work, compliance work / grant claims and continuous auditing exercises.

7 Implementation of Recommendations

- 7.1 Final Internal Audit reports issued include management action plans to address agreed recommendations to address exposure to risk. The effective implementation of these action plans within timescales determined by management is therefore essential.
- 7.2 As part of the agreed approach, Internal Audit conducts follow-ups which are focused on high and medium risks as these represent a greater overall risk. The position on implementation in respect of these categories of recommendation is shown below.

By Recommendation Grade	B/Fwd	New	Closed	C/Fwd
High	35	4	5	34
Medium	74	3	16	61
Low	29	3	9	23
Total	138	10	30	118

APPENDIX A

STATUS OF INTERNAL AUDIT'S WORK

Audit Plan	Review	Status
2019-20	Education Welfare	Draft report issued
2019-20	Fees & Charges	Draft report issued
2019-20	Implementation of Office 365	Draft report issued
2019-20	Cloud based storage (Salford Computer Audit)	Fieldwork
2019-20	Liquid Logic applications security (Salford Computer Audit)	Fieldwork
2020-21	Schools Finance key controls	Fieldwork
2020-21	Modern Slavery	Fieldwork
2020-21 (Coronavirus response work)	Business rates grants – verification testing	Almost completed
2020-21 (Coronavirus response work)	Business rates discretionary grants – verification testing	Fieldwork – almost completed
2020-21 (Coronavirus response work)	Equality Impact Assessments – Review of Covid response / change	Completed
2020-21 (Coronavirus response work)	Equality Impact Assessments – Analysis of LGA recommendations	Fieldwork
2020-21 (Coronavirus response work)	Ethics Committee Briefing Note	Completed
2020-21 (Coronavirus response work)	Review of ASC services – support to care home market	Fieldwork
2020-21 (New)	(New) Regional Adoption Agency reconciliation	Fieldwork
2020-21 (New)	Dedicated Support Grant	Fieldwork

APPENDIX A

Audit Plan	Review	Status
2020-21	Short breaks & respite care for disabled children	Planning
2020-21	Contract monitoring arrangements over day care services	Planning
2020-21 (New)	Home Equipment Store (Children)	Planning
2020-21	Equipment purchases (Adults)	Planning

APPENDIX B

OUTCOMES FROM FINAL AUDIT REPORTS

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
Homecare commissioning	Substantial	High	0	<p>Our review confirmed satisfactory arrangements are in place around setting of fees to enable homecare providers to meet their statutory responsibilities and to ensure they remain sustainable. An Ethical Framework is in place to improve the quality of service provision and continuity of carers.</p> <p>Improvements have been made to extracting data from case management systems into an effective management information tool. This enables management to monitor the homecare provider's percentage share of the market to ensure sustainability and minimises risks of business continuity failure.</p> <p>Alongside the above, the Council has a joint working team to address the workforce market in the long term. This is to ensure that there is a long term plan to address the demographic issues and to develop sufficient market capacity to deal with the increasing homecare market in the future.</p>
		Medium	2	
		Low	0	
Performance management – combined report (except ASC)	-	High	2	<p>Our review confirmed that the Portfolio Performance Resources (PPR) framework is well developed, with performance measures largely driven by members and the strategic priorities. Delivery of specific projects and performance measures are used to monitor progress. There is not always a golden thread between strategic performance management and directorate/service level performance management and we have recommended senior managers to consider this. A CLT dashboard is in place with new dashboards being developed at directorate/service levels with plans to automate the process as much as possible.</p> <p>The Business Intelligence team provides significant support to the People's directorate with a large number of performance measures being calculated on an automated basis with scripts in place to extract data from case management systems. We did not that data within case management systems may not be up to date which in turn affects the accuracy of the performance measures.</p>
		Medium	3	
		Low	3	

APPENDIX B

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings					
			<p>Our review of the performance management arrangements within the Place and CSS directorates at service level show a mixed picture with some services having well developed and embedded performance management systems and other services having less mature arrangements. On the whole, limited quality assurance (QA) checks are carried out, although if there were significant changes in reported results, this would be examined to ensure data has been calculated correctly</p>						
Design & Technical Services	Moderate	<table border="0"> <tr> <td>High</td> <td>3</td> </tr> <tr> <td>Medium</td> <td>3</td> </tr> <tr> <td>Low</td> <td>4</td> </tr> </table>	High	3	Medium	3	Low	4	<p>Our review found satisfactory arrangements are in place to ensure the new in-house service are equipped with skills, knowledge and experience to manage property construction works. It was noted that the service was under-resourced but that recruitment was underway to bring the service to full staffing complement.</p> <p>A new Quality Management System (QMS) has been implemented which prescribes the process, roles and functions of the team when carrying out their projects. Our review confirmed that robust financial and project management processes are in place to monitor progress of building works to ensure this is on schedule, on time and within budget.</p> <p>Satisfactory arrangements are in place to comply with health & safety legislation.</p> <p>Appointments of contractors have been strengthened by bringing in this responsibility in-house. Bespoke contract documents were currently being developed. A process is in place to monitor the performance of the contractor from the start of the project throughout the lifecycle of the project.</p> <p>Contracts with clear specification and requirements are in place with consultants. Commissioning arrangements to procure consultants is strong. We note very few consultants bid for work but that the service intends to utilise a new consultancy framework contract which should hopefully improve the competitive tendering process.</p>
High	3								
Medium	3								
Low	4								
Thematic review of Use of Consultants (UoC) and IR35	Moderate for UoC Limited for	<table border="0"> <tr> <td>High</td> <td>2</td> </tr> <tr> <td>Medium</td> <td>0</td> </tr> </table>	High	2	Medium	0	<p>Our review confirmed that most schools obtain a number of competitive quotes when selecting their preferred consultant. Higher spend were more prevalent on sports coaching companies and this is an area where most schools actively seek competitive quotes. A small number of documented contracts are in force, particularly with sports coaching</p>		
High	2								
Medium	0								

APPENDIX B

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings
	IR35	Low 0	<p>companies but for smaller spend on one-off consultancy support, payment was made upon receipt of invoice and no documented contracts were in place. Monitoring arrangements over consultants are largely informal and generally controls are in place over financial payments. All schools showed robust procedures for ensuring consultants who are working with children are subject to Disclosure Barring Checks.</p> <p>We found many cases where information on IR35 was not handed over to the SBMs upon commencing at the school and neither is IR35 information contained within the finance manual held at schools. Some SBMs lack confidence in understanding the requirements placed upon them and would require further support. Other SBMs understood the IR35 advice and completed the Employment Status for Tax tool online. Some schools have assessed their existing contracts to ensure they are complying with IR35 but many schools currently do not have processes in place to regularly check employment status when they procure consultants. This is particularly prevalent within primary schools.</p> <p>The majority of schools have not liaised with their agency regarding whether they are complying with IR35 or checked whether the worker supplied by an agency is working through a limited company. We recommended that further guidance should be issued to schools that will set out these requirements.</p>

APPENDIX C

AUDIT OF SCHOOLS

The table below shows the progress made on audit of schools since the last progress report in February 2020.

School	Status
Thorn Grove Primary	Completed
Moorfield Primary School	Draft report issued
Heaton School	Draft report issued
Arden Primary School	Draft report issued
Romiley Primary School	Draft report issued
Cheadle RC Infant School	Draft report prepared
Windlehurst Special School	Draft report issued
Priestnall High School	Draft report prepared
Cheadle RC Junior School	Audit postponed to later in 2020-21 year
Werneth High School	Audit postponed to later in 2020-21 year

APPENDIX D

OTHER WORK

Type of Other Work	Status / Outcome
Coronavirus Response Work (Advisory)	Advice and consultancy support being provided on an ongoing basis regarding the Recovery Planning Phase (Workforce Development)
Coronavirus Response Work (Advisory)	Advice and consultancy support being provided on an ongoing basis regarding the financial risks around social care providers
Coronavirus Response Work (Advisory)	Advice and consultancy support being provided on the Systems Data Access Policy
Fraud Investigation	As directed by the Fraud Panel to investigate allegations in a service
Fraud Investigation	As directed by the Fraud Panel to investigate allegations of email abuse
Risk Consultancy	Advice and consultancy support being provided on the new Alliance Framework
Risk Consultancy	Risk and control advice and consultancy support on a wide range of covid 19 related issues
Control advice	Provided advice to a school regarding the devolved capital formula
Certification work	Audit of Brookfield Park Shiers statement of accounts completed