

Stockport MBC Internal Audit Services

Head of Internal Audit Annual Report and Opinion 2019/20

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Distribution: Audit Committee
Corporate Leadership Team (CLT)
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1. Introduction

Purpose of this report

- 1.1 The Borough Treasurer, as the s151 officer, is responsible for ensuring a sound system of internal control that supports the achievement of the Council's objectives and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element of assurance is the overall assurance opinion from the Head of Internal Audit, Risk and Insurance.
- 1.2 This report sets out the overall Audit Opinion together with a summary of the work that the Council's Internal Audit Service has undertaken during 2019/20. The report also provides information on the performance of the Internal Audit service in 2019/20 and an assessment of the compliance against the Public Sector Internal Auditing Standards (PSIAS).

The role of Internal Audit

- 1.3 Internal Auditing is defined as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.' (Public Sector Internal Audit Standards – PSIAS).
- 1.4 The scope of our work, management and audit's responsibilities, the basis of our assessment and access to this report are set out in Appendix A to this report.

Reflecting the challenges from Coronavirus on the delivery of the Internal Audit Plan

- 1.5 The Covid-19 pandemic has had significant implications for the delivery of Council services from February 2020 onwards with significant organisational disruption, new emergency responsibilities, changes in risk appetite and the control environment with staff delivering services whilst working from home. This has inevitably impacted on internal control, risk management and corporate governance arrangements throughout the Council. In the context of the above, conducting this annual report to deliver an opinion on the full financial year has been a challenge.

- 1.6 The Annual Opinion report provides an assessment of the control, risk and governance environment in place during 2019/20 so the majority of the year will be unaffected by the coronavirus outbreak. The Annual Opinion outlined in section 2 will therefore reflect the operation of internal controls during normal operations. However, coronavirus will have impacted on controls, risk and governance arrangements predominantly from March 2020 onwards. Specific changes are also highlighted in the Annual Governance Statement 2019/20.
- 1.7 Once the crisis is over the Internal Audit service will undertake or will be in the process of reviewing lessons learned from the Councils response to the Covid 19 outbreak from an overall control, risk and governance perspective. This will be a suitable area for inclusion in next year's Annual report.
- 1.8 During February and March 2020 Internal Audit supported the organisation by providing a range of flexible and ongoing assurance reviews to support the organisation deliver its services. The flexible and proactive approach will continue into 2020/21 with the support of Corporate Leadership Team and the Audit Committee.

2. Overall Opinion and Assurance Statement

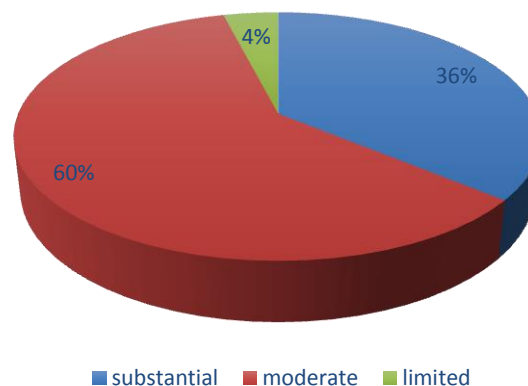
Overall Opinion

- 2.1 On the basis of our programme of work for the year, I can provide moderate assurance overall that there is a generally sound system of internal control, adequately designed to meet the Council's objectives, and controls are generally being applied consistently. However some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk.
- 2.2 In forming my opinion on the Council's internal control environment, risk management process and corporate governance, I have considered the work undertaken by the Internal Audit Service throughout the year.

Summary of assurance provided by the Internal Audit Service

- 2.3 A summary of all the assurance we have provided during the year is provided below. This includes each audit review directed to providing controls assurance, but it excludes work, for example, on the certification of grant certification work and our support to management on fraud investigation work. The overall picture of assurance provided across the audit reviews undertaken during 2019-

20 is summarised below. (See Appendix B for description of assurance levels). Substantial Assurance 36% (26% in 2018/19), Moderate Assurance 60% (65% in 2018/19) and Limited Assurance 4% (9% in 2018/19).



Management's response to our findings

- 2.4 Each of the issues the Internal Audit service has raised during the year has been discussed with the relevant service management teams as part of a formalised closure meeting. Action plans have been subsequently agreed and actions are already being implemented by nominated officers. The Internal Audit service will follow up our findings during the course of 2020-21 and provide support to management to develop and implement solutions to the control issues identified.

Follow-up of our previous work

- 2.5 The approach is now focussed on audits which have been given a "limited" or "moderate" assurance opinion to ascertain and provide management and members with a timely assessment of how well the agreed recommendations have been implemented. A summary of the position statement for those audit reviews which were given a limited assurance opinion is set out in the quarterly updates to Audit Committee. Where improvements have been made to the control environment we will use this to update our opinion and assurance ratings may be improved as a consequence. This provides stakeholders with a clearer and timelier view of the current control environment in operation. This is a positive reflection on the importance attached to addressing key recommendations by managers throughout the Council.

- 2.6 Furthermore, we have undertaken work to ascertain progress in implementing agreed recommendations resulting from all other audit work completed in year and from earlier year's reviews. Good progress has been made to implement the action plans as agreed. However competing priorities and pressures on a reduced workforce, combined with more complex recommendations has resulted in more frequent discussions with services on the importance of implementing agreed recommendations. Positively most of the recommendations we have agreed with management have been or are being implemented and revised action plans have been agreed where necessary.

3. Key Issues and Themes

Internal control environment

- 3.1 Our work found no evidence of significant lapses in the internal control framework and we consider that management have responded appropriately and positively to Internal Audit recommendations.
- 3.2 New and continuing developments and changing context to reform within the Council in the past 12 months has meant that the Council continues to make changes to its organisational structures and ways of working. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and associated authorities. Internal Audit continues to support the organisation through this process and actively advises and contributes through its ongoing proactive involvement in all key risk areas including health and social care integration, information governance, performance management and input on new and redesigned systems and processes.
- 3.3 Our work has confirmed that adequate management arrangements are in place including robust monitoring and reporting processes. However our work has also identified that for a number of services where key projects are being managed, whilst the framework for corporate governance and reporting arrangements are in place, there are some issues impacting on the delivery of agreed objectives. These issues stem mostly from difficulties in delivering agreed objectives due to scarce and limited resources coupled with more complex delivery models.

Risk management

- 3.4 A range of key projects continue to receive ongoing consultancy and advice from the service. The key objective is to provide continuous assurance and advice on how risks are being identified, managed and controlled. These include:

Capital Growth

- 3.5 Based on a risk assessment, we have focused our efforts on Stockport Exchange. Our work has involved attendance at Project Board meetings to ensure key risks are discussed and managed and ensuring that the schemes are progressing within the permitted cost envelope. Similarly, the Risk Manager has provided advice and support to the LED replacement street lighting project.

Medium Term Financial Plan (MTFP)

- 3.6 The Risk Manager is providing advice and support to the following MTFP delivery projects:
- Children and Education integration: Assisting the project team to develop and implement a new integrated delivery model incorporating both Children's Social Care and Education teams. This is strongly linked to the successful delivery of the Written Statement of Action in response to the Ofsted and the Care Quality Commission joint local area special educational needs and disabilities (SEND) inspection.
 - Support Funds: Support and advice to Adult Social Care developing a more streamlined process for the audit and review of Direct Payments. The Risk Manager produced a position paper highlighting the key findings from Direct Payments Audit undertaken in 2019 which has fed into the working group for Direct Payment reform.

Consultancy

- 3.7 During the year the Risk Manager has supported the Head of Audit, Risk and Insurance in the following areas in providing consultancy and support to management:
- Delayed Transfer of Care (DTOC) - supporting management at the Integrated Transfer Team at Stepping Hill Hospital thoroughly review processes to ensure social care clients in hospital are released with minimal delays
 - Schools capacity and admissions- a risk review was undertaken on this area to help inform a review of the Council's strategy in this area.

Corporate Governance

- 3.8 The Internal Audit Service continues to be involved in the development of the Council's corporate governance arrangements and monitoring of the Annual Governance Statement through the Head of Internal Audit, Risk and Insurance's attendance at the Corporate Governance Group, Fraud Panel, Data Breach Panel, Information Governance Board and Health and Safety Group.
- 3.9 All audit reviews now give an opinion not only on the control environment but also on governance and risk management arrangements as well. Where issues are identified, Internal Audit will work with services to improve and develop processes that allow governance and risk management to further help achieve the overall objectives of the service.
- 3.10 The Corporate Governance Group meets before all scheduled Audit Committee meetings. Standing agenda items include corporate governance issues, risk management, business continuity and audit committee agenda items. The draft Annual Governance Statement (AGS) was updated by the Head of Internal Audit, Risk and Insurance and this has been discussed with members of the Corporate Governance Group, CLT and members of the Audit Committee. Quarterly updates on the progress of the AGS Action Plan is reported to the same forums.
- 3.11 The review of the effectiveness of the Council's governance framework in 2019/20 has identified and confirmed the following areas that will need to be addressed or continue to be addressed during 2019/20. These are:-
- Social care restructuring (redesign of adult social care and the new model for Stockport Family and Education Services).
 - Mayoral Development Corporation (MDC)
 - Programme of Reform and achievement of Medium Term Financial Plan.
 - Response to Coronavirus Pandemic

4. Delivery of 2019-20 Audit Plan

- 4.1 The Internal audit plan for 2019/20 was approved by the Audit Committee at its meeting in March 2019 and the committee received regular updates on progress against the plan during the year.
- 4.2 The 2019/20 Audit Plan included 1090 days for specific audit related activity (including 20 days procured from Salford Computer Audit services) and the planned audit resources based on an Internal Audit team of 6 FTEs (*after deductions for non-chargeable and planned consultancy & assurance work*) was 946 days. There was a difference of resource available to resource required of 144 days.

- 4.3 In November 2019, the 2019/20 Audit Plan was revised downwards to 1040 days reflecting the reduced audit resources available due to the departure of the counter fraud officer in August 2019. However, since then, there have been two further departures of senior auditors which has meant that audit resources have reduced further. Internal Audit have recruited two new auditors and an audit apprentice who will require extensive training and support initially. This has had an impact on the audit resources available to complete the audit plan. The table show below the planned and actual days used to complete the audit plan.

| | Planned | Actual |
|--|------------|------------|
| Total available days (after deduction of annual leave, bank holidays and sickness) | 1,341 | 1,100 |
| Less: Non Chargeable time | (195) | (190) |
| Less: Consultancy & Assurance work | (200) | (170) |
| Net days available for SMBC Audit | 946 | 740 |

- 4.4 The reduced audit resources in 2019-20 and the already planned shortfall of 144 days meant that there is a significant reduction in the number of available days used to complete the audit plan. The table below shows the final breakdown and comparison between budget and actual days utilised by corporate outcome.

| Corporate Outcome | Planned | Actual |
|---|---------|--------|
| People are able to make positive choices and be independent | 205 | 103 |
| People who need support get it | 220 | 213 |
| Stockport benefits from a thriving economy | 40 | 27 |
| Stockport is a place people want to live | 90 | 50 |
| Communities in Stockport are safe and resilient | 45 | 23 |
| Reform and Governance | 460 | 298 |

| | | |
|--------------|-------------|------------|
| Other Work | 30 | 26 |
| Total | 1090 | 740 |

- 4.5 The following table summarises the outturn of audit reports produced in 2019/20. More information about the outcomes of Internal Audit work relating to risk based reviews, financial system reviews and proactive anti-fraud work is provided at Appendix C.

| Type of Work | Audit Outputs | Audit Outcomes |
|--------------------------------------|---|--|
| Strategic and governance reviews | 2 final reports issued | The summary of the opinion and assurance statement for the individual risk based reviews (Adult residential care and Financial Resilience) which were finalised in the year is provided in Appendix C. |
| Programme and project assurance work | Feedback, opinion and assurance on key programme and projects | <p><u>Redesign of Adult Social Care</u></p> <p>The Risk Manager has provided risk management support to the Programme lead and been significantly involved in the project to improve the policies and processes around Direct Payments.</p> <p><u>Children and Education integration:</u></p> <p>The Risk Manager assisted the project team to develop and implement a new integrated delivery model incorporating both Children's Social Care and Education teams. This is strongly linked to the successful delivery of the Written Statement of Action in response to the Ofsted and the Care Quality Commission joint local area special educational needs and disabilities (SEND) inspection.</p> <p><u>Delayed Transfer of Care (DTOC) reporting.</u></p> <p>The Head of Internal Audit, Risk and Insurance and the Risk Manager have provided a significant amount of support to Adult Social Care to help manage the Delayed Transfers of Care (DToC) at Stepping Hill Hospital.</p> <p>This work was focused on the following areas of support:</p> |

| Type of Work | Audit Outputs | Audit Outcomes | | | | | | |
|-----------------------|--|---|-----------------------|---|--------------------|---|-------------------|---|
| | | <ul style="list-style-type: none">• Design and implementation of a short term solution for case management during the transition from the Carefirst case management system to the new Liquid Logic system;• Data analysis for management;• Process mapping to understand existing ways of working and making recommendations for improvements; and• Liaison, in conjunction with the interim Head of Service, with NHS Trust management to ensure effective sharing of client and patient information. <p><u>Capital Growth</u></p> <p>Based on a risk assessment, we focused on Stockport Exchange and Merseyway. We will also be assisting with the Council's involvement in the Stockport Interchange project. Our work involved attendance at Project Board meetings to ensure key risks are discussed and managed and ensuring that the schemes are within the permitted cost envelope.</p> | | | | | | |
| Service reviews | 8 final reports issued 2 draft reports issued 3 at fieldwork stage | <p>The number of opinion and assurance ratings for the finalised reports are listed below</p> <table><tr><td>Substantial assurance</td><td>2</td></tr><tr><td>Moderate assurance</td><td>6</td></tr><tr><td>Limited assurance</td><td>0</td></tr></table> <p>The summary of the opinion and assurance statements for the individual risk based reviews which were finalised in the year are provided in Appendix C.</p> | Substantial assurance | 2 | Moderate assurance | 6 | Limited assurance | 0 |
| Substantial assurance | 2 | | | | | | | |
| Moderate assurance | 6 | | | | | | | |
| Limited assurance | 0 | | | | | | | |

| Type of Work | Audit Outputs | Audit Outcomes | | | | | | |
|---------------------------|---|---|-----------------------|---|--------------------|---|-------------------|---|
| School audit visits | 11 final reports issued 2 draft reports issued 4 at draft report stage 3 site visits | <p>The number of opinion and assurance ratings for the finalised reports are listed below</p> <table><tr><td>Substantial assurance</td><td>4</td></tr><tr><td>Moderate assurance</td><td>6</td></tr><tr><td>Limited assurance</td><td>1</td></tr></table> <p>We have made a total of 111 recommendations at the 20 schools visited and these were graded as follows: 8 High, 39 Medium and 64 Low risk.</p> <p>Our recommendations to address the high to medium risk findings included</p> <ul style="list-style-type: none">the need to ensure ongoing management of budgetary forecasts to minimise risk of going into a deficit budget,to ensure at least 3 quotes are obtained in procurement,ensuring sufficient authorised signatories are in place,to ensure proper procedures are in place for administration of the School Fund,the need to ensure that health & safety checks are conducted in particular with respect to maintenance inspections.establishment of finance committees and ensuring that minutes are maintained of such meetingsto ensure that purchase orders should be raised immediately and not after invoices are received <p>We have issued a separate summary of findings report to all schools.</p> | Substantial assurance | 4 | Moderate assurance | 6 | Limited assurance | 1 |
| Substantial assurance | 4 | | | | | | | |
| Moderate assurance | 6 | | | | | | | |
| Limited assurance | 1 | | | | | | | |
| Financial systems reviews | 4 final reports issued 1 draft report issued | <p>The number of opinion and assurance ratings for the finalised reports are listed below</p> <table><tr><td>Substantial assurance</td><td>2</td></tr></table> | Substantial assurance | 2 | | | | |
| Substantial assurance | 2 | | | | | | | |

| Type of Work | Audit Outputs | Audit Outcomes | | | | | |
|---|--|---|--|------------------------|---|--------------------|---|
| | | <table><tr><td>N/A – no opinion given</td><td>2</td></tr></table> <p>The summary of the opinion and assurance statements for the individual financial systems reviews are provided in Appendix C.</p> | | N/A – no opinion given | 2 | | |
| N/A – no opinion given | 2 | | | | | | |
| Contracts / Projects audits | 2 final report issued 1 at draft report stage | <p>The number of opinion and assurance ratings for the finalised reports are listed below</p> <table><tr><td>Substantial assurance</td><td>0</td></tr><tr><td>Moderate assurance</td><td>2</td></tr></table> <p>The summary of the opinion and assurance statements for the individual contracts reviews are provided in Appendix C.</p> | | Substantial assurance | 0 | Moderate assurance | 2 |
| Substantial assurance | 0 | | | | | | |
| Moderate assurance | 2 | | | | | | |
| ICT audits | 1 final report issued 1 draft report issued 2 at fieldwork stage | <p>The summary of the opinion and assurance statements for the individual ICT audits are provided in Appendix C.</p> | | | | | |
| Compliance reviews for Council management | 2 final reports issued 5 unqualified opinions | <p>The number of opinion and assurance ratings for the finalised reports are listed below</p> <table><tr><td>Substantial assurance</td><td>1</td></tr><tr><td>Moderate</td><td>1</td></tr></table> <p>We undertook compliance work at the request of management and issued unqualified opinions for 4 grant claims and returns and one statement of accounts for a charity.</p> <p>The summary of the opinion and assurance statements for the individual compliance audit review are provided in Appendix C.</p> | | Substantial assurance | 1 | Moderate | 1 |
| Substantial assurance | 1 | | | | | | |
| Moderate | 1 | | | | | | |

| Type of Work | Audit Outputs | Audit Outcomes |
|--|--|--|
| Continuous Auditing | Monthly reports | Outcomes from individual reviews are reported to auditees and are summarised in the Annual Fraud Report. |
| Advice and consultancy support to Council management and schools | 14 ad-hoc advice provided | <p>During the year we received 14 ad hoc requests for advice and consultancy support on a broad range of matters, such as procurement procedures, grant funding, financial training, access rights, IR35 and Youth Offending Service projects.</p> <p>All advice was issued on a timely basis to assist management to maintain proper systems of internal control.</p> |
| Pro-active anti-fraud reviews including National Fraud Initiative work | <p>Feedback, opinion and assurance on key proactive anti-fraud reviews</p> <p>Possible data matches generated and shared with the Revenues and Benefits team for investigation</p> | <p>The Corporate Fraud Officer left the Authority in August. Counter Fraud proactive work and investigations will now be undertaken within the Risk and Internal Audit Teams.</p> <p>Counter Fraud reviews of Council Tax (Single Persons Discount) and Schools Admissions were completed during the year</p> <p>Work with colleagues in Parking Enforcement and legal Services on investigating Blue Badge misuse is continuing with a successful prosecution in the year.</p> <p>The National Fraud Initiative 2020 results and matches have recently been distributed to all Local Authorities. The Corporate Fraud Officer is in the process of reviewing high risk alerts and matches and is liaising with key contacts within the necessary service areas to investigate high risk cases</p> <p>Activity around all counter fraud work from the last financial year is highlighted in the Annual Fraud Report 2019/20.</p> |
| Investigations | One investigation has been reported to the Fraud and Irregularities Panel | Internal Audit has undertaken one investigation which has been reported to the Fraud and Irregularities Panel. |
| Follow-ups | 8 follow up reports issued | A summary of the recommendations that have been made during the year and implemented during the year is shown below. |

| Type of Work | Audit Outputs | Audit Outcomes | | | | |
|---|---|---|-------|-----|--------|-------|
| | | Grade | B/Fwd | New | Closed | C/Fwd |
| | | High | 34 | 15 | 12 | 37 |
| | | Medium | 66 | 26 | 18 | 74 |
| | | Low | 24 | 10 | 5 | 29 |
| | | Total | 124 | 51 | 35 | 140 |
| Totally Local Company (TLC) audit reviews | Two audit reports and follow up reports issued to TLC management and their Audit Committee. | We also provide an internal audit service to Totally Local Company ("TLC"), a wholly owned company. This work is planned separately with TLC management and reported to their management and Audit Committee. | | | | |

- 4.6 Internal Audit performance during the year was measured against a suite of performance indicators which were reported during the year to the Audit Committee. The table below shows the performance of the team over the year against the targets agreed at the start of the year.

| Performance Indicator | 2019/20 Target | 2010/20 Actual |
|---|----------------|----------------|
| Audit Plan completed | 90% | 91% |
| Chargeable time | 80% | 84% |
| A proportion of agreed audit recommendations reported to Management are high level, strategic and prioritised as high risk which provides added value to Management and the Service | 15 – 30 % | 23% |

- 4.7 All the indicators set and agreed in 2019/20 were achieved. A reduced suite of performance indicators will be proposed for 2020-21 given the current coronavirus lockdown and new ways of working which will be required by the Internal Audit Service. Future monitoring will measure performance against this new suite.

5 Quality Assurance and Improvement Programme

- 5.1 As part of the Public Sector Internal Audit Standards there is a requirement for the internal audit team to have in place a Quality Assurance and Improvement Programme (QAIP). This must include both internal and external assessment of compliance against the standards. The internal assessments are ongoing and an external assessment must be undertaken once every five years.
- 5.2 The external assessment of the service took place in 2017/18 and the overall judgement was that the Council's Internal Audit service was assessed as fully conforming to the Public Sector Internal Audit Standards (PSIAS). This is a very positive achievement and demonstrates the level and quality of assurance provided by the service.
- 5.3 We will be reporting the results of the internal assessments as part of the QAIP to Audit Committee members in September 2020.

It is the opinion of the Head of Internal Audit, Risk and Insurance that in all material aspects Stockport Council's Internal Audit Service conforms to the definition of internal audit, the Code of Ethics and the Public Sector Internal Audit Standards.

- 5.4 Whilst the Public Sector Internal Audit Standards only require non-conformance to be disclosed when it impacts the overall scope or operational of the internal audit activity, the additional requirements for the public sector state that all instances of non-conformance and progress against improvements plans must be reported in the annual report. The progress against the 2019-20 QAIP action plan is included in Appendix D.

Appendix A

A Scope, responsibilities and assurance

Scope

- A.1 In accordance with the Public Sector Internal Audit Standards, the scope of Internal Audit encompasses all of the Council's activities, resources and services including where they are provided by other organisations on their behalf. Internal Audit has unrestricted access to all Council employees and Elected Members and the authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities.

Responsibilities

- A.2 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors should not be seen as a substitute for management's responsibilities.
- A.3 However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have provided advice to management on appropriate mitigating actions to address risk. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to undertake investigations in such matters under the direction of the Fraud and Irregularities Panel.
- A.4 Internal audit's role include assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing tests to ensure that these controls were operating for the period under review.

Basis of our assessment

- A.5 My opinion on the adequacy of control arrangements is based upon the results of Internal Audit reviews undertaken and completed during the period in accordance with the plan approved by the Audit Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

- A.6 There have been no limitations to the scope of the audit work.

Limitations on the assurance that Internal Audit can provide

- A.7 The audit process is generally dependent upon the existence of an effective system of internal control. There is always a risk of an internal control system failing to operate as designed. There are inherent limitations as to what can be achieved by an internal control system. Any system of internal control may be ineffective against fraud involving collusion among employees or fraud committed by management, for instance management overriding controls, faulty judgement in decision making processes or breakdown in controls due to human error. No matter how well designed and operated, sound internal control systems can only provide reasonable assurance and not absolute assurance that objectives have been, and will continue to be, met. Furthermore, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in the future. Such inherent limitations of internal control system also contribute to inherent limitations of an audit.
- A.8 Decisions made in designing internal controls inevitably involve the acceptance of some degrees of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance, any assessment of internal control is judgmental.

Appendix B

B Levels of Assurance Definitions and Classification of Audit Recommendations

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

| Opinion | Definition |
|------------------------------|---|
| Substantial Assurance | There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met. |
| Moderate Assurance | Whilst there is a basically sound system of internal control, there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk. |
| Limited Assurance | Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk |
| No Assurance | Control is generally weak leaving the system open to error or abuse; or significant non-compliance with basic controls leaves the system open to error or abuse. |

Appendix C

C Summary of Outcomes from Finalised Audit Reports during 2019/20

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|--|-----------------|--|--|---|
| Adults safeguarding investigation procedures | Moderate | <p>High 4</p> <p>Medium 3</p> <p>Low 1</p> | <p>We consider that adequate controls are in place over carrying out adult safeguarding investigation procedures and that these address the majority of risks.</p> <p>A process is in place for providers and partner agencies to report concerns and allegations to a single contact point, the Contact Centre. The Council has robust procedures to log safeguarding concerns in the case management system and allocation of s42 referrals to the appropriate service for enquiry. Our review of a sample of investigations confirmed sufficient oversight and monitoring of such s42 enquiries / investigations is in place.</p> <p>Residential/nursing homes, domiciliary care and day centres are subject to the harm level incident reporting process with level 3 incidents subject to internal investigation. Outcomes of these investigations are reported to the harm level panel at the Council.</p> | <p>Ongoing work with providers of level 3 reports is continuing to ensure the quality of such reports are improved.</p> <p>The Council continue their conversations with Pennine Care and Stepping Hill Hospital to reach an effective and proportionate solution with respect to sharing of information regarding investigation of safeguarding incidents.</p> <p>Ongoing work is continuing to fully embed 'Making Safeguarding Personal' into safeguarding practice.</p> |
| Income & lettings risks at Aurora | Substantial | <p>High 0</p> <p>Medium 1</p> <p>Low 2</p> | <p>Our review showed there are appropriate controls in place to mitigate the majority of identified business risks. At the time of our review, all ten units were either fully let or in the advanced stages of becoming let. Therefore, this key risk area is reduced.</p> <p>Overall, we found that arrangements are in place to ensure that tenancy application process and agreed leases are commercially viable, and that marketing arrangements and relationship management with current and potential tenants are satisfactory. We found that income collection are now well established with CBRE Ltd taking on this responsibility.</p> | <p>Finance are strengthening the monitoring and reconciliation process to ensure all income due to the Council from Aurora tenants are actually received and accounted for.</p> |

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|-------------------------------------|-----------------|--|--|--|
| Income & lettings risks at Red Rock | Moderate | <div>High 0</div> <div>Medium 3</div> <div>Low 1</div> | <p>Our review showed there are appropriate controls in place to mitigate the majority of identified business risks. At the time of this audit review there were a total of three vacant units with ongoing efforts to let these units to suitable occupiers.</p> <p>Overall, we found that arrangements are in place to ensure that tenancy approval process and agreed leases are commercially viable. Marketing arrangements are satisfactory however, we note the casual dining market is experiencing difficulties nationwide. To that effect, other clientile will be approached and considered as potential tenants.</p> | Finance are strengthening the monitoring and reconciliation process to ensure all income due to the Council from Red Rock tenants are actually received and accounted for. |
| Compliance with GDPR | Moderate | <div>High 1</div> <div>Medium 3</div> <div>Low 1</div> | <p>Our review showed that the key risks are being managed to an acceptable level.</p> <p>Appropriate action is being taken to ensure ongoing organisational awareness of GDPR, and relevant policies and procedures have been updated to reflect the new requirements of GDPR.</p> <p>Information asset owners IAOs have provided sufficient information that actions are being taken to capture all sources of personal data</p> <p>The necessary privacy notices are in place and readily available to demonstrate such transparency to those whose personal information the Council deals with.</p> <p>The Councils Privacy Impact Assessment (PIA) document has been updated to reflect the requirement to undertake a PIA for current or emerging areas where personal data is processed and to highlight; and ultimately reduce, risks of processing personal, sensitive data.</p> | It has been agreed that to ensure any new processing activities undertaken by IAOs are identified, that reminders should be made to IAOs |
| Stockport Local Fund | Substantial | <div>High 0</div> <div>Medium 0</div> | Overall, we concluded that there are appropriate arrangements in place for the award of grants from the Stockport Local Fund. We found that the funds awarded | - |

| Review | Overall Opinion | Recommendations | | Summary | Improvements made / agreed |
|--|-----------------|-----------------|---|---|--|
| | | Low | 1 | have been appropriately assessed and authorised, and that appropriate segregation of duties were in place. | |
| Universal credit | Substantial | High | 0 | We found appropriate arrangements in place around the administration of Universal credit. Our use of the IDEA (Interactive Data Extraction Analysis) software confirmed that risks around claimants being paid housing benefit by both the DWP and the Council are being managed effectively. | The service has reduced the volume of manual processes through the implementation of automated processes. |
| | | Medium | 1 | | |
| | | Low | 0 | | |
| STAR procurement – performance management arrangements | Moderate | High | 0 | Overall we are satisfied that there are appropriate arrangements in place for the production of STAR Performance Management information and that the KPI's are appropriate. There are documented work instructions and process maps to guide staff in the production of the KPI data. A review and authorisation process with data quality checks is undertaken prior to KPI data being provided and reported to management. | There are risks to data quality which the STAR service is aware of due to the intensive use of various spreadsheets, and they are looking to procure a more appropriate system that will provide a robust and efficient way of recording and reporting their KPI data in the future. |
| | | Medium | 4 | | |
| | | Low | 1 | | |
| Cybersecurity contingency planning | - | High | 0 | We confirmed that the Council is pro-actively managing its Cyber Security risks in all areas, but it is worthy to note that it is not possible for the Council to claim that it will never be impacted from a cyber-attack given that a key risk can materialise from both an internal or external source. The Council has ICT systems accreditation to strengthen its controls and undertakes annual assessments to maintain Public Services Network (PSN) compliance to demonstrate that their security arrangements, policies and controls are sufficiently rigorous to enable interaction with the PSN and those connected to it. Salford Computer Audit Services confirmed the Council's arrangements based on the Minimum Cyber Security Standard and the National Cyber Security Centre's (NCSC) | All recommendations relating specifically to contingency arrangements, threat analysis and risk management arrangements have been implemented. |
| | | Medium | 1 | | |
| | | Low | 0 | | |

| Review | Overall Opinion | Recommendations | | Summary | Improvements made / agreed |
|--|-----------------|-----------------|---|---|--|
| | | | | Cyber Assessment Framework is satisfactory. | |
| Bereavement services (crematorium and cemetery contract arrangements) | Moderate | High | 3 | The audit confirmed that the current operational arrangements are not in compliance with the existing contract, however we note that the contract has not been updated since 2003. We consider that in order for the contract to be fit for purpose and properly reflect the desired operational arrangements and performance monitoring, both parties need to negotiate and come to a fair agreement. | Ongoing discussions are in place between both parties with the Council's legal staff providing support. |
| | | Medium | 4 | | |
| | | Low | 0 | | |
| Arrangements to secure financial resilience & governance arrangements associated with financial sustainability | Substantial | High | 0 | Overall, we consider that the Council's arrangements for securing financial resilience and governance arrangements for ensuring financial sustainability are robust. The Council has | The Council has now included an appendix in the Medium Term Financial Strategy (MTFS) which clearly sets out the risks to achieving the assumptions in the MTFS. |
| | | Medium | 2 | | |
| | | Low | 1 | | |
| | | | | <ul style="list-style-type: none"> Effective strategic financial planning processes, in particular ensuring that planning assumptions included in the MTFP are carefully considered to ensure these are appropriate Arrangements to ensure that senior officers and members are fully informed of financial issues to enable effective business planning decisions to be made, including scrutiny & challenge by members Robust budget setting process which takes into account views of stakeholders via the MTFP savings programme and consultation process A robust reserves policy and the level of reserves are closely monitored and reported to senior management and members Effective financial management processes, governance and internal control arrangements with sound financial systems | |
| | | | | We observed that both Adult Social Care and Children & | |

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|----------------------------------|-----------------|-----------------------------|--|--|
| | | | Family services continue to demand extensive financial resources and the Council has taken a prudent approach by establishing contingency budgets as well as budget resilience reserves. | |
| Business Rates & Council Tax | Substantial | High 0 Medium 1 Low 2 | <p>Our review confirmed appropriate controls are in place around</p> <ul style="list-style-type: none"> • Annual billing process • Daily cash balancing and posting process • Suspense account review and monitoring • Input and reconciliation of property valuation changes • Award of discounts, exemptions and reliefs • Authorisation of refunds • Regular review of systems access <p>Our testing identified an issue relating to a 'Members Voluntary Liquidations' which businesses opt to go into this specific type of liquidation to avoid liability for non-domestic rates. The total arrears on these accounts is currently approximately £1.0M and most of this relates to debts originating from 2013/14. In 2014, the council signed an agreement with external solicitors to take action appropriate against these businesses in Stockport. However, a review of the effectiveness of these arrangements has not taken place to determine if these should cease or continue.</p> | To address the members voluntary liquidations issues, the Great Manchester Business Rates Benchmarking Group has taken the lead in this matter. The Council is seeking an update from the chair of the group to review the arrangements as suggested and a decision will be made regarding any accounts that are outstanding once the review is available. |
| Care leavers financial processes | Substantial | High 0 Medium 0 Low 6 | <p>Our review has confirmed that there are appropriate arrangements in place regarding the financial processes related to Care Leavers. Guidance is available for staff operating the processes and an effective scheme of delegation is in force to ensure appropriate authorisation procedures are in place.</p> <p>Prepayment cards are utilised to incur expenditure on behalf</p> | All recommendations with respect to financial administration of care leavers payments were accepted. |

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|---|-----------------|-----------------------------|---|--|
| | | | of young people and our review confirmed appropriate separation of duties, supporting documentation and independent checks are in place. However we note that the independent checks do not confirm that the spend is appropriate or whether the expenditure remained within authorised limits. | |
| Troubled Families | Moderate | High 0 Medium 2 Low 1 | As a result of our audit work, we consider there are sound systems of internal control designed and operating in a way that meets the requirement of the Greater Manchester Troubled Families Framework. There were a few points for improvement which we discussed with Management during our audit work. | Further roll out of new case management system (Liquid Logic) will ensure that information is recorded. |
| Adult social care – non residential billing | - | High 2 Medium 1 Low 0 | <p>Our work concluded that the work involved in the updating of charging groups within the Care First system is complex and requires in-depth knowledge of the system and is not without risk.</p> <p>There are a number of factors that have contributed to the charging groups not being properly and fully updated on a timely basis. These include:</p> <ul style="list-style-type: none"> • A lack of ownership and accountability in that there is no nominated manager responsible for the co-ordination and monitoring of the changes to non-residential charges within the Carefirst system; • The key source data was not provided in a format that facilitated the changes to the charging groups to be carried out easily; • Difficulties in mapping the proposed charges to the existing charging groups; • The risks and possible impact that any changes to charging groups on the Carefirst system could have on the data migration to the new Liquid Logic Social Care Case Management system; | <p>The issues in relation to charging groups have been identified and considered as part of the migration process to the new system Liquid Logic.</p> <p>We have a three year financial systems plan and we will consider these areas as part of the financial systems audits.</p> |

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|--|-----------------|-----------------------------|---|---|
| | | | <ul style="list-style-type: none"> High workloads of staff and conflicting pressures and demands (e.g. staff also involved in the implementation of the new Liquid Logic Social Care Case Management system). | |
| Food safety inspections & enforcements | Moderate | High 2 Medium 0 Low 1 | <p>Our review identified that the Food Safety service is currently under-resourced compared to Food Safety Agency guidelines, however the existing staff are experienced in food safety inspections and enforcement. Appropriate supervisory arrangements are in place taking into account the team's experience and standard checklists are applied to ensure consistency.</p> <p>The review of inspected premises and plans for future inspections adhere to a risk-based approach. Adequate arrangements are in place for the recording of accurate data by staff and there are no perceived issues with timeliness in the recording of results following inspections.</p> | Senior management have an agreed action plan to address the staffing issues. |
| Contact Centre | Moderate | High 2 Medium 2 Low 1 | Our review confirmed that the service structure is organised to ensure staff are specialised in specific service areas, to ensure telephone enquiries are dealt with efficiently and effectively. A robust training procedure is in place to train staff on handling phone calls. Internal targets are in place for staff and performance statistics are readily available from the telephony system. There is a culture of performance management and supervisors regularly check staff productivity and performance. A new telephony system is now in place which offers new features and improved performance management systems. | <p>Restructure of the Adults Contact Centre has taken place to ensure staffing pressures can be covered by people with the relevant skills and knowledge.</p> <p>Additional training with NetCall has been carried out and assurance has now been provided that the statistics are correct.</p> |
| Adult residential care | Moderate | High 0 Medium 1 | Our audit review confirmed that setting fees for adult residential care at a level that ensures is affordable for the Council and assists providers to be financially sustainable is very complex. The Council is very aware of the risks and issues affecting demand and costs in this sector and are | The Council is taking proactive steps to address the wider issues behind the cost of placements and if these are effectively managed, would ensure the Council's |

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|-----------------------------------|-----------------|-----------------------------|--|---|
| | | Low 0 | currently undertaking a range of projects to address these. | objectives will be achieved. |
| STAR procurement – SPEND analysis | Moderate | High 2 Medium 2 Low 0 | <p>Overall, we are satisfied that there are appropriate arrangements in place to ensure all relevant spend data is identified and extracted for analysis and the outcomes and assumptions from spend analysis are reliable and accurate.</p> <p>However, we did report that the current process is overly manual, very labour intensive and there is a subsequent risk of human error in the process. This meant there was a risk that the data was out of date. At present, no direct action is undertaken to identify, analyse or challenge identified off-contract spend in a formal or systemic way. This presents a risk of poor procurement processes and a lack of value for money around specific spend.</p> | <p>An exercise was undertaken by the Strategic Head of Procurement and Head of Internal Audit to sample check a range of expenditure over the value of £150K. This data was analysed and service improvements now made.</p> <p>This exercise, combined with direct access to Tableau (which has now been granted) will enable future off contract spend analysis to take place in a timely and effective manner.</p> <p>Using Tableau to enable a “one month old” analysis, should improve the timeliness of the information flow and facilitate a more accurate year end position.</p> |
| Counter fraud School admissions | - | High 0 Medium 1 Low 2 | <p>Our review confirmed that adequate counter fraud arrangements are in place over the school admissions process. We found</p> <ul style="list-style-type: none"> Updated and published policy and procedure to all stakeholders, which clearly articulates the potential sanctions should fraud be identified and what documentation are required to validate the application information. Anti-fraud notices are made available to parents including the potential ramifications that may be applied should false or inaccurate information be | <p>The service agreed that</p> <ul style="list-style-type: none"> records should be stored centrally and reviewed on an annual basis to consider fraud risk and trends. This will be developed via the use of Office 365 ‘Flow’. the policy is to be updated to provide a contact where individuals can report potential |

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|--|--|--|---|---|
| | | | <p>provided.</p> <ul style="list-style-type: none"> • Clear evidence of standard validation checks (including internal data matching procedures) & additional validation checks for high risk schools • Extensive post application investigation processes if concerns are expressed at any time with any application during the application stage. <p>The number of cases where a placement has been awarded and subsequently withdrawn by the council due to substantiated fraud concerns varies between 1-5 per year. Alternative placements are given and the applicants have the right of appeal. However, there is no management information on the number of cases appealed and the outcome</p> | <p>instances of School Admission fraud.</p> <ul style="list-style-type: none"> • a consultation is made with legal to discuss the legality in issuing financial penalties on fraudulent applications received. |
| Thematic review of IR35 and use of consultants | <p>Moderate (Use of Consultants)</p> <p>Limited (IR35)</p> | <p>High 2</p> <p>Medium 0</p> <p>Low 0</p> | <p><u>Use of consultants (Moderate)</u></p> <p>Our review of the process for procuring consultants confirmed that</p> <ul style="list-style-type: none"> • most schools obtain a number of competitive quotes when selecting their preferred consultant. • a small number of documented contracts are in force, particularly with sports coaching 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 and recorded on the Single Central Record. <p><u>IR35 (Limited)</u></p> | <p>The Council HR is currently liaising with STAR to update guidance to issue to schools. This complements the Internal Audit report that has been circulated to schools which outlines good practice checklist.</p> |

| Review | Overall Opinion | Recommendations | Summary | Improvements made / agreed |
|--|-----------------|--|--|--|
| | | | Our review confirmed that many school business managers did not understand the IR35 requirements placed on them and would require further support. Other SBMs understood the IR35 advice at the time 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. | |
| Carillion post – contract review of financial payments | - | <div>High 0</div> <div>Medium 0</div> <div>Low 0</div> | <p>Following the liquidation of Carillion, the Estates and Legal Services teams negotiated on the delivery of the contracts and the payments that were due to either party in respect of such contracts. Both parties have now agreed full and final settlement terms in respect of the payments due, and these were approved by the Deputy Chief Executive and Borough Treasurer.</p> <p>We sampled tested 11% of all invoices received (25 out of a total of 235) and 71% of the total value of invoices approved and subsequently paid (£1.9m of £2.75m). The audit has confirmed that all invoices tested were accurate and properly authorised.</p> | No recommendations have arisen from this report. |

Appendix D

E Progress against QAIP Action Plan 2019-20

| No. | Source | Issue | Action | Responsible Officer / Timescale |
|-----|-----------------------|--|--|------------------------------------|
| 1. | Internal assessments. | Information received on customer satisfaction surveys is ad hoc and there is no regular robust process for analysing feedback. The feedback is not incorporated into the performance evaluation process for the team. | A process has been implemented to ensure feedback from customer satisfaction surveys are received analysed on a regular basis throughout the year. | CSS Audit Manager. Ongoing. |