



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

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Distribution: Corporate Leadership Team
Audit Committee

1 Introduction and Background

- 1.1 The report sets out the progress made in the period 1st April 2020 to 31 October 2020 against the updated 2020-21 audit plan approved in August 2020.
- 1.2 This year has been unprecedented for the Internal Audit service and the Council as a whole. Due to the Covid 19 pandemic and the overall effects on all services, significant demands have been placed on Internal Audit to support those services by undertaking less than traditional audit work. These requests continue at the time of production of this progress report. To help address this unparalleled demand, audit resources have been deployed flexibly on a risk and request basis.

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

- 2.1 Shortly after the development of the draft 2020-21 audit plan the country went into lockdown because of the coronavirus pandemic. A number of frontline and support services were deployed to resourcing the coronavirus response work and this has had an impact on the ability of the Internal Audit team to commence the reviews contained in the original plan.
- 2.2 The original draft 2020/21 audit plan provided for 1125 days planned reviews against 1058 audit resources available. This is set out in the table below (see 2.4).
- 2.3 Initially a member of the Internal Audit team was deployed to other services from March 2020 for a specific duration and the Internal Audit team was required to devote a significant amount of resources to assisting on grants verification work. This requirement is still ongoing particularly given the latest additional Local Restriction Support Grants (five new grants in total). IA resource is now embedded in these processes in a number of ways:-
 - Redeployment of IA resource to help administer new grant claim requests.
 - Pre and post independent checks on grant claim outcomes.
 - Overall assurance reporting on key criteria outlined by the BEIS.
 - Reconciliation of data to source records.
 - Reporting data to BEIS on a monthly basis.
 - Investigating fraud, potential irregularities and errors.
- 2.4 As a result, the existing plan was risk assessed further and the revised audit plan was presented to the audit committee in August 2020. This consists of two specific elements. A flexible Covid Assurance Plan (appendix A) combined with a traditional risk based audit plan (appendix B). For the first time, this clearly shows high and medium priority risks and those reviews that are deemed low priority (subsequently deferred). The table below highlights the revised available resources available (though this will inevitably change again in due course particularly given the extra resource required to support the management of the new Local Restriction Support Grants).

	Original Plan March 2020	Revised Plan August 2020
Available net audit resources (days)	1058	900
Planned audit reviews (days)	1125	965
Additional work in response to coronavirus and changing risk environment (days)	-	265
Total reviews (days)	-	1230
Deferred audit reviews (days)	-	230

- 2.5 Since the revised audit plan was presented to the Audit Committee, another member of the team has been seconded to another service for two days a week and we have been successful in recruiting a Senior Auditor who commenced post on the 9th November 2020. Alongside this have been the continued requests for additional work that needs to be adopted into the Covid Assurance Plan. For this purpose, we will be risk assessing the audit plan again and will present a further revised audit plan at the Audit Committee meeting in March 2021.
- 2.6 Because of the changing demands on internal audit resources the reviews outlined in appendix A are extremely flexible in terms of overall scope, expectations and planned timescales. Furthermore the outcomes of these reviews are more likely to be verbal updates and presentations rather than traditional written audit reports. This is due to expectations from services requiring advice more urgently as a response to ever changing risk considerations.
- 2.7 The progress against the existing agreed coronavirus response work is set out in appendix A.

3 Status of Internal Audit Work

- 3.1 The 2020-21 audit plan (appendix B) includes audit reviews which have been risk assessed as high or medium priority. This continues to evolve as requests come in for additional work and management ask for existing reviews to be delayed.
- 3.2 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 April 2020 to 31 October 2020. This does not include the ongoing advisory work, grants work in relation to coronavirus or schools which are reported separately in appendix C, D and E.

Audit Plan Year	Audit Status	No. of Reviews
2019/20	Audits completed	1
	Audits substantially completed or at draft report stage	5
2020/21	Audits completed	9

(cumulative)	Audits in progress (incl new additional work)	9
	Audits currently being planned	8
	Audits not yet started	25
	Audits deferred	18

3.3 We estimate that approximately 41% of the revised audit plan has been completed by the end of October 2020 compared to 49% in previous years.

4 Outcomes from Final Reports

4.1 Those detailed outcomes for each finalised audit since 1st April 2020 are shown in Appendix C.

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.

5.2 The Annual Fraud Report 2019/20 was presented to the last Audit Committee in August 2020.

5.3 An emerging risk has been identified as an increase in the potential for instances of fraud and scams during the current lockdowns. We are addressing these risks in a number of ways:-

- Targeted training and workshops to key services;
- A refresh of the Council's online fraud training toolkit which aims to increase awareness of fraud risks throughout the Council;
- A presentation by the Head of Audit at a recent Cross Sector Forum Group event comprising key charity, voluntary and other third sector organisations providing services in Stockport. This highlighted current scams and frauds that could impact on both the providers of these services and vulnerable members of the community.
- A proposal to work more closely in partnership with colleagues at Greater Manchester Police through the Scambusters project to help raise awareness among the Stockport community to prevent and report scams locally and more effectively.

Investigations

5.4 Two fraud investigations have been completed. These are included in Appendix A.

6 Schools and Other Work

6.1 Appendix D summarises the work done in this period to complete the 2019-20 school reviews and the progress made to undertake the 2020-21 school reviews.

6.2 Appendix E summarises the requests for other non covid related work advice or ad-hoc audit work that have been dealt with by the team in the seven months period to the 31

October 2020. These include advice and ad-hoc audit work, risk management consultancy work, compliance work / grant claims and continuous auditing exercises.

CORONAVIRUS ASSURANCE PLAN UPDATE

Appendix A

Type of Work	Description of Work	Status / Outcome
Advisory	Advice and consultancy support being provided on an ongoing basis regarding the Recovery Planning Phase (Workforce Development). This involves attendance at fortnightly meetings to provide consultancy and risk advice, for example on the suite of risk assessment documents recently developed.	Ongoing
Advisory	Advice and consultancy support being provided on an ongoing basis regarding the financial risks around social care providers.	Ongoing
Advisory	Advice and risk support developing the personal budget offer for Children and Young People.	Ongoing
Advisory	Advice and risk support to the project team embedding the Mental Health Services recently brought back under direct management of the Council.	Ongoing
Risk Consultancy	Audit of arrangements for administering Covid support to care providers within Adult Social Care, resulting in the issue of a report. This identified specific recommendations that management have accepted.	Completed
Risk Consultancy	Equality Impact Assessment – analysis of LGA recommendations to ensure that the Council has considered all relevant requirements.	Completed
Grants	Use of IDEA to undertake spotlight testing of business rates grants (Small Business and Retail, Hospitality and Leisure) with Internal Audit staff involved in the verification of results and queries.	Completed
Grants	Ongoing advice, consultancy and support, including more detailed review of applications for discretionary business rates grants not meeting the immediate criteria for further	Completed

Type of Work	Description of Work	Status / Outcome
	detailed investigations.	
Grants (New)	Covid19 test and support payment scheme. Internal Audit involved in carrying out random sample checks and provided advice on controls.	Almost completed
Grants (New)	Track and trace grants. Audit resources involved to carry out random weekly sample checks and provided advice on controls. Assurance also provided on the payments being accounted for correctly in the SAP accounting system.	Ongoing
Grants (New)	Provided support to Finance on the reconciliation of: <ul style="list-style-type: none"> • Small Business Grant funds. • Retail, Hospitality & Leisure Grant funds; and • Discretionary grants. Provide assurance on the declared figures, reported to Department for Business, Energy and Industrial Strategy (BEIS).	Ongoing
Grants (New)	On a monthly basis, Internal Audit has had the responsibility in completing the Business Grant Schemes Assurance figures for: <ul style="list-style-type: none"> • Small Business Grant funds and Retail, Hospitality & Leisure Grant funds. • Combined; and • Discretionary grants. This covers areas such as: <ul style="list-style-type: none"> • Grants paid. • Errors and possible fraud. • Recovered payments. • Risk assessment and overall assurance reporting. 	Ongoing

Type of Work	Description of Work	Status / Outcome
Grants (New)	<p>Internal Audit are heavily involved and are currently advising on the development of processes to administer the Local Restriction Support Grants (LRSB) which include:</p> <ul style="list-style-type: none"> • LRSB Addendum – Lockdown. • Additional Restrictions Grant - Tier 3 restrictions. • LRSB Open (Discretionary) – Tier 3 or 2 Restrictions. • LRSB Sector (limited defined businesses) - Tier 3 restrictions. <p>Our primary focus is to advise and develop:</p> <ul style="list-style-type: none"> • Effective pre and post payment checks. • Processes to reduce the risk of fraud and error. • Support the development of risk assessments • Support and advise on the monthly grant returns, if required. <p>Working in conjunction with Finance, to develop the reconciliation process, along with the controls required to ensure it is completed, accurate and that any errors and irregularities are identified quickly.</p> <p>IDEA is to be used to undertake spotlight testing of LRSB with Internal Audit staff involved in the verification of results and queries.</p>	New and ongoing
Grants	Currently investigating grants paid in error or where claimants are not entitled to such grants.	Ongoing
Investigations x 2	Two independent investigations as directed by the Fraud and Irregularities Panel.	Now completed.
Systems Data Access Policy	Consultancy and advice to the Head of Data on a systems data/access policy.	Ongoing
ASC Care Homes Risk Matrix advice	<p>Advice, consultancy and support on developing risk matrices for care home providers to manage the risk of over reliance on key providers to deliver services.</p> <p>Working with our external risk partner (Gallagher Bassett) to provide further support in</p>	Ongoing

Type of Work	Description of Work	Status / Outcome
	this area.	
Review	A review of mandate counter fraud controls following the identification of a specific fraud case.	Ongoing
Advice	IA forming part of project group advising and supporting the rollout of office 365 and the associated risk and control measures.	Ongoing
Advice	IA forming part of project group advising and supporting the outsourced invoices project and the associated risk and control measures.	Ongoing
Consultancy	Advice and guidance to cross sector organisations on current fraud and scam issues. Overview presentation at the Cross Sector Forum. Co-operation with Scambusters (GM Police) to develop work programme to support Stockport residents.	Ongoing
Consultancy	Ad hoc support work to the Monitoring Officer on three specific pieces of work.	Ongoing
Advice	Provided advice to Finance colleagues on updating the Financial Procedure Rules and Contract Procedure Rules. Liaising with STAR Procurement.	Completed

STATUS OF APPROVED INTERNAL AUDIT PLAN 2020/21

Appendix B

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	Short breaks & respite care for disabled children	Fieldwork
2020-21	Contract monitoring arrangements over day care services	Fieldwork
2020-21	Cross cutting review – Children Equipment (formerly reported as Home Equipment Store)	Fieldwork
2020-21	Equipment purchases (Adults)	Postponed at request of client management
2020/21	Looked after children placements	Fieldwork
2020/21	Post 16 supported accommodation	Fieldwork
2020/21	Stockport Mayoral Development Corporation	Fieldwork
2020/21	Education, Health & Care Plan (EHCP) assessments	Fieldwork
2020/21	Contract monitoring over Stockport Homes delivering Council services	Fieldwork
2020/21	Street lighting – LED replacement – value for money	Planning
2020/21	Debt recovery arrangements within adult social care	Planning

OUTCOMES FROM FINAL AUDIT REPORTS

Appendix C

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
Highways	Substantial	High	0	<p>Our review of the Council's arrangements for implementing the key provisions of the Well-Managed Highways Infrastructure Code of Practice confirmed that the Council took a risk based approach when seeking to approve policies and ensured that these covered the most significant areas of asset management. Risk assessment matrices have been established to guide inspectors on inspection of defects on site and sufficient training has been provided to inspectors on their role. A number of policies remain to be developed but we are satisfied that the Council has appropriately prioritised them in accordance with risk.</p> <p>Our review of the Council's arrangements for highways reactive maintenance have confirmed that management have implemented processes and methods of working to achieve the level of ad-hoc and routine inspections. This is supported by improvements in documentation and records, particularly through the use of mobile technology and apps. Procedures are in place to review performance information on a monthly basis and sample audit checks on inspection data are carried out regularly by management. Since the introduction of hand-held devices, the audit checks have become a secondary check on quality and is becoming an improvement tool. Defensibility rates have steadily increased from 50% in 2013 to over 80% last year. In the same period, the average cost of closed claims has steadily dropped from £6,000 per claim in 2013 to £2,000 per claim last year.</p>
		Medium	0	
		Low	2	
Modern Slavery	Substantial	High	0	<p>Good progress has been made since the Council published its first Modern Slavery Statement, and there is substantial oversight of the process involved, up to executive level. However, the Covid 19 crisis has delayed the implementation of some parts of the plan, and work is now needed to ensure that the objectives of the Modern Slavery Statement are met in 2020.</p>
		Medium	2	
		Low	2	
Schools Finance – Key controls	Substantial	High	0	<p>The team have developed robust mechanisms to ensure that the statutory duties of School Finance Team are met, as well as the terms of the Service Level Agreement which is in place for schools purchasing additional services. Management ensure they have a</p>
		Medium	1	

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings
		Low 2	detailed overview of the work of the team, and report on it at the highest level. Monitoring systems have been introduced to ensure that corporate and statutory deadlines are adhered to, and the service provided to schools is both professional and supportive.
Regional Adoption Agency – Financial Reconciliation – Interim Report	-	High 3 Medium 2 Low 1	<p>Stockport Council as the host of Adoption Counts (regional adoption agency) commissions therapy from independent providers with the cost being funded by the Adoption Support Fund (ASF). Business Support administers the financial processes and the Council's accountants performed the full two year reconciliation of the income and expenditure posted to the Council's financial ledger.</p> <p>We undertook an independent review of the finance and reconciliation procedures and confirmed that approximately 43% of the cases had been successfully matched. We confirmed that the majority of cases are funded by ASF with very few cases with other local authorities match funding.</p> <p>Overall, we confirmed that</p> <ul style="list-style-type: none"> • With respect to cases where excess costs have been recorded, these continue to be investigated with potential for recovery from other local authorities • With respect to cases where excess income has been recorded, processes are underway to identify whether therapy support have been completed so that the case can be closed down and monies repaid to ASF as appropriate <p>We identified some issues arising from the review and have made a number of recommendations. Management, Business Support and Accountancy have accepted and agreed an action plan. We will be undertaking a further review once the results of the above exercises are completed.</p>
Review of ASC – support to care home market	Moderate	High 0	<p>We undertook a review of the Council's arrangements over the new processes to provide financial support to care homes during Covid19.</p> <p>We confirmed that robust arrangements were in place for the operation of the Funding</p>

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings
(coronavirus response)		<p>Medium 0</p> <p>Low 1</p>	<p>Panel who effectively scrutinised and challenged provider specific returns for payment and managed effectively the adult social care funding allocations. Sufficient processes are in place to reconcile payments to Funding Panel approvals.</p> <p>Expenditure incurred by providers in response to Covid19 was examined on a sample basis and checked against the funding guidelines. We obtained sufficient evidence to give assurances to management that the providers understood and appears to be complying with the guidelines for the funding. We note however that some of the significant items included on the basis of orders with suppliers had not been issued by the time we issued our report. Subsequently we recommended that clarity should be made with providers in advance of scheme closure on any underspends as well of the requirements to ensure all expenditure is committed by the close date of the scheme.</p>

AUDIT OF SCHOOLS

Appendix D

The table below shows the progress made on audit of schools since the last progress report in August 2020. Our reviews cover

- Governance and financial control (including financial planning and budgetary control),
- Protection of public money (payroll, purchasing, income, cash & banking),
- Business continuity, insurance and asset management arrangements.

Due to the restrictions imposed because of Covid 19, our audit reviews are now carried out remotely. This approach means an amended scope, so for instance, the physical security onsite, including areas such as storage of cash & controlled stationary could not be checked in person. Further, fewer individual transactions were examined in detail, in order to reduce the administrative burden on the School Business Manager. However, in all other respects, we have endeavoured to provide the same level of scrutiny as in normal circumstances and deliver a comparable level of assurance.

Year	School	Status
2019/20	Arden Primary School	Completed
2019/20	Romiley Primary School	Completed
2019/20	Cheadle RC Infant School	Completed
2019/20	Windlehurst Special School	Completed
2019/20	Moorfield Primary School	Draft report issued
2019/20	Heaton School	Draft report issued
2019/20	Priestnall High School	Draft report issued

Year	School	Status
2020/21	Cheadle RC Junior School	Completed
2020/21	Fairway Primary School	Completed
2020/21	St Thomas (Stockport) CE School	Completed
2020/21	Hazel Grove Primary	Draft report issued
2020/21	Moss Hey Primary School	Draft report issued
2020/21	Warren Wood Primary School	Draft report issued
2020/21	Cheadle Heath Primary School	Remote audit underway
2020/21	Abingdon Primary School	Remote audit underway

OTHER WORK

Appendix E

Type of Other Work	Description	Status / Outcome
Risk Consultancy	Advice and consultancy support being provided on the new Alliance Framework and attending the Highways Capital Board	Ongoing
Risk Consultancy	Dedicated Support Grant – risk assessment and project planning with respect to the governance process.	Ongoing
Control advice	Provided advice on controls around BACS payments at school	Completed
Control advice	Provided advice on appropriateness of gift cards and its tax implications at a school	Completed
Certification work	Certification of PCN return	Completed