



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Internal Audit Progress Report 4

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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 November 2020 to 31st January 2021 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 The additional work in response to coronavirus and changing risk environment has been incorporated into the revised audit plan previously reported to the Audit Committee in August 2020. This also resulted in a number of audit reviews highlighted as deferred.
- 2.2 As previously reported, since the revised audit plan was presented to the Audit Committee, there have been further changes to audit resources and continued requests for additional work that has been incorporated into the Covid Assurance Plan. We have consequently risk assessed the audit plan and a further revised audit plan will be presented at the Audit Committee meeting in March 2021.
- 2.3 The progress against the existing agreed coronavirus response work is set out in Appendix A.

3 Status of Internal Audit Work

- 3.1 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 April 2020 to 12th February 2021. Appendix B contains the list of audit reviews which are currently underway. This does not include the grants work in relation to coronavirus, ongoing advisory / project support work, or schools which are reported separately in Appendix A, C and D respectively.

Audit Year	Audit Status	No. of Reviews
2019/20	Audits completed	4
	Audits substantially completed or at draft report stage	2
2020/21 (cumulative)	Audits completed	9
	Audits in progress (incl new additional work)	14
	Audits currently being planned	6
	Audits not yet started (deferred to 2021-22)	19
	Audits originally deferred to 2021-22 ^(adjusted)	11

Project / advisory work

- 3.2 The Audit Plan included a number of audit reviews where the approach is that of ongoing advisory work. Appendix C lists these reviews where Internal Audit is providing an advisory role.

Risk Management Arrangements

- 3.3 A range of risk workshops has now either taken place or have been planned, primarily in the Corporate and Support Services Directorate. These will be rolled out to all Directorates in the next three months. The objectives are to discuss and refresh the approach to managing risks with services including identification of current and emerging risks, risk mitigation and ownership and reporting.

4 Outcomes from Final Reports

- 4.1 Final reports issued in the period 1st November 2020 to 31st January 2021 are included in Appendix F.

5 Counter Fraud work and Investigations

Proactive counter fraud work

Investigations

- 5.1 The team have engaged in the following specific investigations and counter fraud work this year:
- Support on pre and post payment fraud checks and follow up of specific cases on Covid-19 related grants and payments. A summary of progress was issued separately to Audit Committee members on the 2nd December 2020.
 - Mandate fraud. A review of control following an attempted mandate fraud followed up with specific support and targeted training.
- 5.2 The team are engaging in collaborative training with Salford IT Audit Services to deliver bespoke IDEA training sessions to customers. The eventual aim is to offer and develop unique scripts to customers so that they can run the IDEA testing software themselves at a frequency they require. This will generate additional income for the service moving forward.

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 three months period to the 31 January 2021. 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. Any audit reviews that have had a substantial opinion are not followed up.
- 7.3 The position on implementation in respect of these categories of recommendation is shown below. There are 10 outstanding audit reviews with 59 recommendations to follow up, a significant improvement on previously reported figures. Three recently finalised reviews with a further 15 recommendations have been included in the table below, therefore there are 74 recommendations to follow up as and when they are due.

By Recommendation Grade	B/Fwd	New	Closed	C/Fwd
High	34	6	14	26
Medium	61	5	32	34
Low	23	4	13	14
Total	118	15	59	74

CORONAVIRUS ASSURANCE PLAN UPDATE

Appendix A

Audit Review	Description of Work	Status / Outcome
Recovery Planning Phase (Workforce Development)	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
Review of ASC – support to care home market	Advice and consultancy support being provided on an ongoing basis regarding the financial risks around social care providers.	Ongoing
Covid19 Test and Trace Support Payment Scheme	Internal Audit involved in carrying out random sample weekly checks and provided advice on controls. Assurance also provided on the payments being accounted for correctly in the SAP accounting system.	Ongoing – due for completion soon
Covid Test and Trace Service Support Scheme (NHS)	Internal Audit involved in the certification of the grant scheme and will involve post assurance grant work to ensure Council complied with specific criteria	Ongoing
Business rates and discretionary grants.	Consultancy and advice around the completion of DHCLG returns and completion of Fraud Risk Assessment	Ongoing
Reconciliation of grants	<p>Provided support to Finance on the reconciliation of:</p> <ul style="list-style-type: none"> • Small Business Grant funds. • Retail, Hospitality & Leisure Grant funds; and • Discretionary grants. 	Ongoing

Audit Review	Description of Work	Status / Outcome
	Provide assurance on the declared figures, reported to Department for Business, Energy and Industrial Strategy (BEIS).	
Business Grants Schemes Assurance	<p>On a monthly basis, Internal Audit has had the responsibility in completing the Business Grant Schemes Assurance figures for:</p> <ul style="list-style-type: none"> • Small Business Grant funds and Retail, Hospitality & Leisure Grant funds. • Combined; and • Discretionary grants. <p>This covers areas such as:</p> <ul style="list-style-type: none"> • Grants paid. • Errors and possible fraud. • Recovered payments. • Risk assessment and overall assurance reporting. 	Ongoing
Local Restrictions Support Grants (LRSB)	<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>	Ongoing

Audit Review	Description of Work	Status / Outcome
Grants	Currently investigating grants paid in error or where claimants are not entitled to such grants.	Ongoing
Allotments investigation	Supporting the Monitoring Officer in dealing with a complaint from a member of the public regarding how an allotment dispute was handled.	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	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. Working with our external risk partner (Gallagher Bassett) to provide further support in this area.	Ongoing
Mandate fraud	A review of mandate counter fraud controls following the identification of a specific fraud case. Review of controls, audit and training.	Ongoing
Microsoft Office 365 Project	IA forming part of project group advising and supporting the rollout of office 365 and the associated risk and control measures.	Ongoing
Outsorted Invoices Project	IA forming part of project group to advise on risk and control issues.	Ongoing
Advice and guidance to cross sector organisations on current fraud and scam issues.	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
Support work to the	Ad hoc support work to the Monitoring Officer on three specific pieces of work.	Ongoing

Audit Review	Description of Work	Status / Outcome
Monitoring Officer		
Life Leisure – Covid Support reconciliation	Reconcile costs to actual incurred.	Ongoing
Delivering Covid Safe Elections Working Group	Project designed to ensure that the 2021 elections process is delivered in a safe environment. Advice and practical support around managing risks involved in delivering two elections safely.	Ongoing
Future Estates Business Plan	Project around utilising future estates and assets effectively and consequent future working arrangements for staff and partners to deliver services – review and appraisal of business plan.	Planning
Animal Handling Whistleblowing Complaint	Response as per the Whistleblowing Policy. Providing support to Monitoring Officer and service. A full audit review proposed of the Dog Warden service as part of the Audit Plan.	Ongoing

STATUS OF APPROVED INTERNAL AUDIT PLAN 2020/21

Appendix B

Audit Plan	Review	Status
2020-21	Cross cutting review – Children Community Equipment (formerly reported as Home Equipment Store)	Draft report issued <i>A task & finish group is currently being established to address the complex issues arising from the audit report</i>
2020-21	Stockport Mayoral Development Corporation	Draft report issued
2020-21	Cash receipting system (CivicPay)	Draft report prepared
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	External Looked after children placements	Fieldwork
2020-21	Post 16 supported accommodation	Fieldwork
2020-21	Education, Health & Care Plan (EHCP) assessments	Fieldwork
2020-21	Contract monitoring over Stockport Homes delivering Council services	Fieldwork
2020-21	Debt recovery arrangements within adult social care	Fieldwork
2020-21	Counter fraud audit of bank mandates	Fieldwork
2020-21	Contract monitoring over supported living services	Fieldwork
2020-21	S117 after care services	Fieldwork
2020-21	IT service continuity (Salford Computer Audit Service)	Fieldwork
2020-21	Social Care Finance – Homecare payments	Fieldwork
2020-21	Equipment purchases (Adults)	Postponed at request of client

Audit Plan	Review	Status
		management
2020-21	Street lighting – LED replacement – value for money	Postponed at request of client management

ONGOING PROJECT ADVISORY WORK

Appendix C

Type of Other Work	Description
New Alliance Framework	Advice and consultancy support being provided on the new Alliance Framework and attending the Highways Capital Board
Dedicated Support Grant	Risk assessment and project planning with respect to the governance process.
Personal Budgets for SEND	Advice and risk support developing the personal budget offer for Children and Young People.
Mental Health Services (Pennine)	Advice and risk support to the project team embedding the Mental Health Services recently brought back under direct management of the Council.
Procurement of leisure services provider	We are reviewing the procurement arrangements for the leisure services provider to ensure value for money is achieved and risks are appropriately mitigated
Emergency planning /disaster recovery	Since March 2020 lockdown and tier restrictions, this has an impact on the local economy and the resilience of the Community. A recovery programme is in place to address the scarring impacts of coronavirus. Internal Audit is involved in providing assurance that the Council has effective risk management arrangements in its recovery programme.
Redesign of adult social care service	Ongoing support, consultancy and advice around key project deliverables relating to the redesign of services.

AUDIT OF SCHOOLS

Appendix D

The table below shows the progress made on audit of schools since the last progress report in October 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	Moorfield Primary School	Draft report issued
2019-20	Heaton School	Completed
2019-20	Priestnall High School	Completed
2020-21	Hazel Grove Primary	Completed
2020-21	Moss Hey Primary School	Completed
2020-21	Warren Wood Primary School	Completed
2020-21	Cheadle Heath Primary School	Completed

Year	School	Status
2020-21	Norbury Hall Primary School	Completed
2020-21	Stockport School	Completed
2020-21	St James High School	Draft report issued
2020-21	Abingdon Primary School	Draft report issued

OTHER WORK

Appendix E

Type of Other Work	Description	
Ad-hoc advice	Advice provided to a school on steps to take regarding an external company's recovery of an old debt	Completed
Ad-hoc advice	Advice provided to a nursery school (with no kitchen facility) on provision of financial support to the increasing numbers of families eligible for free school meals	Completed
Ad-hoc advice	Advice provided to a school regarding gifts to staff	Completed

OUTCOMES FROM FINAL AUDIT REPORTS

Appendix F

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
Education Welfare	Limited	High	3	<p>Our review indicates a need to refocus the work of the various teams within the Council that work around identifying and managing children and young people at risk of or actually missing education. We raised four recommendations:</p> <ul style="list-style-type: none"> • A need to prioritise the resources working with the cohort to focus on the children and young people most at risk; • Ensure processes for the management of cases are clarified; • Streamlining and improving management information to better identify and manage cases; and; • Clarifying the reporting and oversight of this work to senior officers. <p>It should be noted that the fieldwork for this review was completed immediately before the first Covid 19 lockdown and we understand significant improvements have been made in this area during the past months. We will follow up on these developments early in 2021/22.</p>
		Medium	1	
		Low	0	
Fees & Charges	Moderate	High	1	<p>Our review confirmed that significant progress has been made to establish robust and fair fee calculations to ensure proper consideration has been given to whether fees should be based upon full cost recovery, operational cost recovery or subsidised service delivery. The Fairer Charging Policy is in place to ensure a standardised approach to including all relevant staffing costs and contributions to cost of overheads. However, we have identified a number of areas where further clarity is required and have made a number of recommendations to address this</p> <p>The Balancing the Cost of Services (BTCOS) Board is overseeing increased fees and charges for services and since the audit was concluded, now includes representatives from the People directorate as well as Place Management and CSS (including Finance).</p>
		Medium	4	
		Low	4	
Office 365	Limited	High	2	<p>Our review confirmed at the time of our audit, that there were no plan, timescales or project team for the implementation of Office 365 and the development of the sensitivity and retention labels (business rules) by the Information Asset Owners (IAOs) across the</p>

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings
		<p>Medium 0</p> <p>Low 0</p>	<p>Council. The ICT team are responsible for the technical aspects for installing Office 365 whilst there is an expectation that individual services are responsible for fully implementing the functionality of the Office 365 software to ensure the full benefits are achieved.</p> <p>There have been some attempts by ICT to provide training to services on the application of Office 365, but this has been limited. There is a risk that services will not fully implement the full benefits of the security features within Office 365 due to IAOs' lack of understanding and the current restraints on staffing resources.</p> <p>In summary, the current approach being undertaken for the implementation of office 365 is linked to setting up access to Office 365, which will deliver the technical process to manage the Council's data. However, the lack of planning to address the operational aspects for all information asset owners and their staff, especially around:</p> <ul style="list-style-type: none"> • The understanding of data held and the expected data protection controls in order to create the most appropriate labels • The process on creating, identifying and attachment of labels • The sharepoint structure that supports efficient access to data and the attachment of labels • The migration process of data from shared network drives <p>is not providing the information asset owners the appropriate skills to manage the change and therefore delaying the effective implementation of Office 365 and compliance with GDPR requirements.</p> <p>We have made a couple of recommendations to address the above issues.</p> <p>At the time the original final report was due to be issued, COVID-19 impacted on every aspect of the Council and its services. This resulted in ICT services speeding up the process to set up all users and corresponding teams onto Office 365 in order to further support staff working from home. For ICT services, this was a mammoth and complex task in exceptional circumstances, and it was reported that only a few service areas have migrated supporting data.</p> <p>Our judgement is that the underlying issues and risks raised in this report remain.</p>

