



**STOCKPORT**  
METROPOLITAN BOROUGH COUNCIL

**2021-22**

## **Progress Report 2**

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**Distribution:** Corporate Leadership Team  
Corporate Governance Group  
Audit Committee

**Date:** November 2021

## 1 Introduction and Background

- 1.1 The report sets out the progress made in the period 22<sup>nd</sup> June 2021 to 22<sup>nd</sup> October 2021 against the 2020-22 audit plan.

## 2 Coronavirus response work and impact on audit plans

- 2.1 The past 18 months 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.
- 2.2 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 March 2021.
- 2.3 The Head of Internal Audit has continued to regularly risk assess the audit plan and a two-year revised audit plan was presented at the Audit Committee meeting in March 2021. Any agreed changes to the audit plan are presented to following Audit Committee meeting.
- 2.4 The progress against the existing agreed coronavirus response work is set out in Appendix C.

## 3 Status of Internal Audit Work

- 3.1 The table below shows the status in terms of cumulative number for 2020-21 and 2021-22 internal audit reviews with respect to high and medium priority risk-based audit work during the period to 22<sup>nd</sup> Oct 2021.

Audit Plan Year	Audit Status	No. of Reviews
<b>2019/20</b>	Audits completed	-
	Audits substantially completed or at draft report stage	1
<b>2020/21</b>	Audits completed	11
	Audits substantially completed or at draft report stage	4
	Audits in progress	1
	Audits postponed at request of client management	2

Audit Plan Year	Audit Status	No. of Reviews
2021/22	Audits completed	3
	Audits substantially completed or at draft report stage	1
	Audits in progress / planning stage	7
	Audits not yet started	16
	Audits postponed at request of client management	4
	Audits deferred and will be risk assessed for 2022-23	2

## 4 Outcomes from Final Reports

- 4.1 The detailed outcomes for each finalised audit since 22<sup>nd</sup> June 2021 are shown in Appendix B. It should be noted that since the delivery of these audits, the control environment may have changed considerably and the follow up reviews of these audits will take this into consideration.
- 4.2 The service has also provided a summary report of all current Limited Assurance audit reviews. This is presented to the audit committee as a separate agenda item.

## 5 Counter Fraud work and Investigations

### Proactive counter fraud work

- 5.1 The revised two-year Audit Plan includes 60 days for participation in the National Fraud Initiative (NFI) and 50 days for counter fraud work, which includes four proactive anti-fraud reviews. As reported in Appendix B, work has been completed on the following areas:
- Residential & nursing care financial assessments / client contributions.
  - Duplicate payments.
- 5.2 Due to deployment on coronavirus grants, minimal work has been done to date to analyse the results of the NFI. This is in line with national guidance from CIFPA on prioritising internal audit resources effectively during the pandemic. The work that has been undertaken was focused on two areas of high spend:

### Creditors

- 5.3 The number of invoices processed between October 2018 and October 2020 was identified as 182,500. The NFI identified 3068 possible duplicates for the same period. These were evaluated, risk assessed and the vast majority confirmed as correct. A targeted sample of 66 cases were selected for testing, covering the following:

- Duplicate records by reference, amount and creditor reference;
- Duplicate records by amount and creditor reference;
- Duplicate records by name, invoice number and amount but different creditor reference, and
- Duplicate records by invoice number and amount but different creditor reference and name.

Of the 66 cases, eight were identified as duplicates, with a total value of £116,854.04. Finance staff had already identified a number of these duplicates and a total of £34,753.38 has already been recovered. The very small number of actual duplicates identified from the testing provides a high level of assurance that controls within the creditors system is robust.

#### Payroll and Pensions

- 5.4 60 % of the matches identified through the exercise have been reviewed, with one error being identified. This has resulted in £1,530.44 an over payment, which needs to be recovered.

#### Investigations

- 5.5 Two investigations have been undertaken and completed in the period, as reported in Appendix E. One was reviewing a complaint concerning how the Council's Complaints service had handled a complaint at a school and the other was a whistleblowing allegation around staff conditions at a key supplier.

## 6. Project advisory work

- 6.1 A summary of the progress on the individual projects we are providing advisory support are set out in the table below:

Project	Advisory Work
Mental health services (Pennine)	Phase 1 Draft report issued, phase 2 will be undertaken in conjunction with management later in the year.
DSG	Ongoing risk advice and support to the DSG review team
Direct Payment policy, process & decision panels	Providing advice and support to the Board led by the new Assistant Director (Adult Social Care) in reviewing Direct Payments cases, policies and processes.
CIC establishment	Providing support to the project team working on transferring the operations of Life Leisure to the newly established Stockport Active Community Interest Company.

## 7 Schools and Other Work

- 7.1 Appendix C summarises the work done in this period to complete the 2020-21 and 2021-22 school reviews. Furthermore, the Summary Annual School Audit Report 2020/21 was presented to the Schools Forum in May 2021.
- 7.2 Appendix D summarises the requests for other work advice or ad-hoc audit work that have been dealt with by the team in the five months to the 29<sup>th</sup> October 2021. These include advice and ad-hoc audit work, risk management consultancy work, compliance work / grant claims and continuous auditing exercises.
- 7.3 The Head of Internal Audit is currently in negotiations with two academy trusts to undertake independent assurance work as directed by the Academy Trust Handbook. An update on developments will be provided at the next audit committee meeting.

## 8 Implementation of Recommendations

- 8.1 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.
- 8.2 As part of the agreed approach, Internal Audit conducts follow-ups which are focused on high and medium risks as these represent a greater overall risk. The position on implementation in respect of these categories of recommendation since June 2021 is shown below.

By Recommendation Grade	B/Fwd	New	Closed	C/Fwd
<b>High</b>	30	17	2	45
<b>Medium</b>	36	32	4	64
<b>Low</b>	18	5	6	17
<b>Total</b>	84	54	12	126

**APPENDIX A**

**STATUS OF APPROVED INTERNAL AUDIT PLAN 2020/21 & 2021/22**

This table below reports the status of the remaining audit work from the 2020/21 audit plan and the progress in commencing audit work from the 2021/22 audit plan

Audit Plan	Review	Status
2020-21	External Looked after children placements	Completed
2020-21	Post 16 supported accommodation	Completed
2020-21	Street lighting – LED replacement – value for money	Completed
2020-21	Education, Health & Care Plan (EHCP) assessments	Completed
Coronavirus Plan	Business Support Grants issued in response to Covid-19 pandemic	Completed
2020-21	Payroll	Completed
2021-22	Counter Fraud of Residential & Nursing Care financial assessments / client contributions	Completed
2021-22	Council Tax	Completed
2021-22	Counter Fraud Payments (Duplicate payments)	Completed (reported in section 5)
2019-20	Cloud based storage (Salford Computer Audit)	Draft report issued
2020-21	Mental health services (Phase 1)	Draft report issued
2020-21	Short breaks & respite care for disabled children	Draft report issued
2020-21	S117 after care services	Draft report issued
2020-21	Debt recovery arrangements within adult social care	Draft report issued
2021-22	Housing Benefits	Draft report issued
2020-21	Patch and Vulnerability Management (Salford Computer Audit Services)	Fieldwork
2021-22	Financial Resilience	Fieldwork

**APPENDIX A**

Audit Plan	Review	Status
2021-22	Stockport Support Funds	Fieldwork
2021-22	Supporting Families (formerly Troubled Families)	Fieldwork
2021-22	Continuing Health Care / Funded Nursing contributions (joint review with MIAA)	Planning
2021-22	Complaints handling procedures	Planning
2021-22	Supported accommodations for post 18 care leavers	Planning
2021-22	SAP access controls	Planning

**APPENDIX B**

**OUTCOMES FROM FINAL AUDIT REPORTS**

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
External Looked after children placements	Moderate	High	3	<p>There are appropriate regional framework contracts with providers for external placements and appropriate authorisation of costs and placements when an external placement is found.</p> <p>Our review of the placement planning form and discussions with staff confirmed that there are a number of administrative and approval issues with placement planning on the Liquid Logic case management system. Our review of case notes shows that in practice, activity is taking place to identify the most appropriate placement for the young person, but the approval mechanisms are largely operating outside of the LCS system. We have made some recommendations to for the IT systems team to deal with the shortcomings of the placement planning form.</p> <p>We confirmed appropriate budget setting process and financial monitoring procedures are in place, however, we were advised that there were initially delays in making payments to providers due to the issues around the placement planning form. Our review confirmed that there are extensive work comparing external placement costs by local authorities in the region and that the commissioning team are very aware of where the issues around provision are.</p> <p>My review of the latest version of the LAC sufficiency strategy confirmed that the Council has set out a number of key actions which would go some way to address the issues previously identified. The key actions to addressing the overall external placements issues is a multi-disciplinary approach, recognising that improving one area is not sufficient on its own but that all areas are interdependent on each other.</p>
Post 16 supported accommodation	Moderate	High	1	<p>We found defined processes are in place to make decisions around placement of 16- &amp; 17-year-old looked after young people, although we note that urgent spot and short-term placements are made for this complex needs and challenging cohort. It was confirmed that in most cases a review of the proposed permanent placement had been taken by the IRO before the placement took place.</p>
		Medium	4	
		Low	0	



**APPENDIX B**

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings						
			<p>The Accommodation Panel tracks approximately 80+ young people in terms of their pathway / permanence plans and our sample review show extensive involvement by social workers and other officers through a variety of mechanisms which supports the young person to develop independence skills and to move to independent living.</p> <p>We have confirmed that all providers are subject to evaluation and quality assessments by Place North West before being admitted on the regional framework contract. The number of providers on this new regional contract is fewer, so often placements are sourced from off-contract providers. We have confirmed that these off-contract providers are subject to checks by the Commissioning team.</p> <p>Our review confirmed that the use of unregulated accommodation is a growing area and that the market is hugely variable, as evident from the significant fluctuation in costs across the north west region. Framework prices are relatively stable, but there are frequently extra costs associated with additional support, so comparison is often not comparable. The costs to children services of internal provision versus external provision are understood but it does not include the full cost of internal provision to the Council. A unit costing exercise to calculate a unit cost for internal residential placements has been undertaken across Greater Manchester to inform the CBA tool but this needs updating.</p>						
Street lighting – LED replacement – value for money	Moderate	<table border="0"> <tr> <td>High</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>2</td> </tr> <tr> <td>Low</td> <td>1</td> </tr> </table>	High	1	Medium	2	Low	1	<p>The pandemic has impacted on the delivery of the programme, however it was confirmed various activities take place within the Council to ensure the LED street lighting capital investment programme is adequately monitored through a number of platforms, such as monthly monitoring returns; monthly, quarterly and half yearly meetings.</p> <p>As part of the Street Lighting Investment Programme to ensure monitoring of energy consumption reduction, annual invoiced energy consumption associated with street lighting was reviewed. We have confirmed to invoices that a reduction in energy was evident.</p> <p>As part of the business case, it was anticipated that the total costs and savings forecast to be accrued over the programme period would be a net saving of £12,680,576. At the time of the review, the data for the cost avoidance/savings for the street lighting programme</p>
High	1								
Medium	2								
Low	1								

**APPENDIX B**

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings						
			<p>was not available. This leaves the Council at risk, as it cannot be determined if the forecasted savings is on track to be delivered.</p> <p>It was reported as part of the business case that LED street lighting will result in a reduction of reactive maintenance costs by 8.3% (approximately £100,000 of the existing £1.282m p.a. maintenance budget) per annum. We were informed that the cumulative budget reduction to date is £338,000 over a 4-year period. The team are currently working with Finance on the proposed impact for next financial year. This reduction in reactive maintenance costs are envisaged due to the longer life (and the subsequent reduced need to inspect and replace old/ failed lighting equipment) and lower unit cost of LEDs. To date, we were unable to provide a conclusion as the data to assess/monitor maintenance for the new LEDs were not available.</p>						
Education, Health & Care Plan (EHCP) assessments	Moderate	<table border="0"> <tr> <td>High</td> <td>2</td> </tr> <tr> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>1</td> </tr> </table>	High	2	Medium	1	Low	1	<p>Due to inherited practices and controls within the team, the management of the EHCP team do not yet have all the appropriate systems in place to accurately monitor and manage the costs of EHCPs in a robust and cost-effective way. However the Management and team have already begun to make some of the changes needed, and are well-placed to continue the improvements required. Overall, the audit review found that whilst there are still gaps in processes, good progress has been made in a short amount of time within the EHCP service, during what was a very challenging time for the whole sector, and there is enthusiasm within the team for further improvement</p>
High	2								
Medium	1								
Low	1								
Business Support Grants issued in response to Covid-19 pandemic	Moderate	<table border="0"> <tr> <td>High</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </table>	High	1	Medium	1	Low	0	<p>Due to the nature of the grants being paid to businesses speedily, risks of error and fraud were increased. Our review confirmed that, despite there being a considerably large amount of grants being paid to businesses over the three grant schemes (SBGF, RHLGF and LADGF), relatively few claims have been identified as erroneous or fraudulent. This was, in part, due to the quick and diligent efforts to create a process that minimised risks as well as the checks and testing conducted.</p> <p>Considerable investment was made by the Internal Audit service, as two members of staff were seconded to Revenues &amp; Benefits in order to assist with the grants process. In addition, officers from both Internal Audit and Revenues &amp; Benefits met with senior management on a monthly basis in order to confirm the accuracy of figures reported to</p>
High	1								
Medium	1								
Low	0								

**APPENDIX B**

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings						
			<p>BEIS, highlight any changes to cases of potential fraud or error, discuss current and emerging risks, and to update the risk assessment for each of the three grant schemes.</p> <p>Internal Audit also developed an Assurance Map in order to illustrate each grant scheme with information such as the duration of each scheme, criteria businesses had to meet and levels of grant funding.</p> <p>Our testing highlighted a significant amount of changes to Business Rates liability records followed by a grant being issued. In particular, this occurred where a business was liable for Business Rates and in receipt of 100% SBRR. This meant that many businesses failed to inform the Council when they had left a property, meaning the Council's records were not up to date with the correct liable persons and could have been out of date for a number of years. As such, it may be beneficial to require businesses to apply for SBRR periodically to prevent Council liability records from becoming outdated and inaccurate.</p>						
Payroll	Substantial	<table border="0"> <tr> <td>High</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>0</td> </tr> <tr> <td>Low</td> <td>3</td> </tr> </table>	High	0	Medium	0	Low	3	<p>The audit provided substantial assurance that the processes and procedures relating to Payroll are well controlled and managed. Furthermore, from our testing we did not identify any high recommendations or significant instances of non-compliance.</p>
High	0								
Medium	0								
Low	3								
Counter fraud of residential & nursing care financial assessments / client contributions	-	4 recommendations	<p>Our review found adequate documented policies and procedures in place and regular processes in place to update such documents with legislative changes. The Online Financial Assessments is currently in the process of being updated to include a disclaimer which will strengthen information sharing and improve counter fraud arrangements.</p> <p>We reviewed a sample of the financial assessments in ContrOCC which had been investigated by the Social Care Charging Team and found four cases were closed with no further action, and seven cases are still under investigation, however, based on the information provided in ContrOCC none of these appear to be fraudulent.</p> <p>We liaised with a number of local authorities to ascertain the work carried out around Adult Social Care to identify non-payment of client contribution for residential and nursing care and how this is reported and investigated. Although no proactive work was identified as</p>						

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Review	Overall Opinion	Analysis of Recommendations	Summary of Findings						
			being conducted, it was confirmed that all cases that are suspected of fraud are forwarded to the Counter Fraud Team within their organisation for further investigation and reported to the required external bodies.						
Council Tax	Substantial	<table border="0"> <tr> <td>High</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </table>	High	0	Medium	1	Low	0	<p>Overall, our review found robust control arrangements in place with the operation of the Council Tax system. In summary;</p> <ul style="list-style-type: none"> <li>• Our sample testing of Council Tax reliefs focused on both discounts and exemptions. The accounts tested highlighted no issues with the discount and exemption values that have been applied</li> <li>• Appropriate procedures are in place to ensure that liability is determined in accordance with legislation</li> <li>• Our sample of properties proportionate to the total number of property bands identified no issues with chargeable amounts. Recent VOA schedule valuation changes were also tested, with each being reflected accurately on the system.</li> </ul>
High	0								
Medium	1								
Low	0								

**APPENDIX C**

**CORONAVIRUS ASSURANCE PLAN UPDATE**

Audit Review	Description of Work	Status / Outcome
<b>NON GRANTS RELATED</b>		
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 weekly meetings to provide consultancy and risk advice, for example on the objectives around flexible working and broader HR related risks including recruitment, retention and training of staff.	Ongoing
Community Interest Company	Providing support to the project team working on transferring the operations of Life Leisure to the newly established Stockport Active Community Interest Company.	Ongoing
Support work to the Monitoring Officer	Ad hoc support work to the Monitoring Officer on three specific pieces of work, all of which are completed.	Completed for all pieces of work
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. This work links in with the Workforce Development Group objectives (above).	Work in Progress
<b>GRANTS RELATED</b>		
Small Business Grants (SBGF)	Support to Finance on reconciliation Investigation of potential fraudulent payments, subsequent recovery process, reporting to Action Fraud and updates to BEIS	Completed Ongoing
Retail, Hospitality & Leisure Grants (RHLGF)	Support to Finance on reconciliation	Completed Ongoing

**APPENDIX C**

Audit Review	Description of Work	Status / Outcome
	Investigation of potential fraudulent payments, subsequent recovery process, reporting to Action Fraud and updates to BEIS	
Local Authority Discretionary Grants (LADG)	Support to Finance on reconciliation Investigation of potential fraudulent payments, subsequent recovery process, reporting to Action Fraud and updates to BEIS	Completed Ongoing
Local Restrictions Support Grants (LRSB)	Pre and post payment assurance activities, including the use of IDEA and spotlight testing  Provision of monthly grants payment and fraud figures to BEIS	Prepayment activities completed Post payment ongoing Completed
Restart Grants	Fraud Risk Assessments, Pre and post payment assurance activities including the use of IDEA and spotlight testing.  Support to Finance on reconciliation of restart grants	Prepayment activities completed Post payment ongoing Completed
Covid19 Test and Trace Support Payment Scheme	Internal Audit involved in carrying out random sample weekly checks and provided advice on controls. There are currently 4 grant determinations to provide assurance on.  Assurance also provided on the payments being accounted for correctly in the SAP accounting system.	Ongoing
Covid Test and Trace Contain Outbreak Management Fund	Internal Audit involved in the certification of the grant scheme. There are 4 grant determinations with deadlines. This will involve post assurance grant work to ensure Council complied with specific criteria	Planning
HMRC statutory notice return for SBGF, RHLGF, LADG	Internal Audit involved in extracting the required information from the data set and upload statutory notice return to the <a href="http://www.gov.uk">www.gov.uk</a> website	Completed

## APPENDIX C

Audit Review	Description of Work	Status / Outcome
HMRC statutory notice return for LSRGs, CSP and CBLP	Internal Audit involved in extracting the required information from the data set and upload statutory notice return to the <a href="http://www.gov.uk">www.gov.uk</a> website. Awaiting HMRC statutory notice.	Planning

## APPENDIX D

### AUDIT OF SCHOOLS

The table below shows the progress made on audit of schools since the last progress report in June 2021.

Year	School	Status	Opinion Assurance rating
2020-21	Marple Hall High	Completed	Moderate
2020-21	Queensgate Primary	Completed	Substantial
2020-21	Broadstone Primary	Completed	Moderate
2020-21	Hursthead Infants	Completed	Substantial
2020-21	Oakgrove Special	Completed	Moderate
2020-21	All Saints (Stockport) CE Primary	Draft report issued	Moderate
2020-21	St Josephs RC (Reddish)	Draft report issued	Limited
2021-22	Brookside Primary	Draft report issued	Moderate
2021-22	Mersey Vale Primary	Draft report issued	Moderate
2021-22	Etchells Primary	Draft report prepared	-
2021-22	Lane End Primary	Draft report prepared	-



## APPENDIX D

Year	School	Status	Opinion Assurance rating
2021-22	Prospect Vale Primary	Fieldwork	-
2021-22	Rose Hill Primary	Fieldwork	-

**APPENDIX E**

**OTHER WORK**

Type of Other Work	Status / Outcome
<b>Support to Management / Complaint investigation</b>	Completed the independent investigation as support to a Stage 1 complaint within Children Social Care.
<b>Support to Management</b>	Deep dive testing of social care debts as support to the Director of Adult social care.
<b>Investigation</b>	Responded to a whistleblowing complaint around staff conditions in a key supplier.
<b>Investigation</b>	Completed independent investigation in a school complaint.
<b>Support to Management</b>	Supporting Finance with financial assistance to Afghan evacuees.
<b>Ad-hoc advice</b>	Provided advice to a school on the procedures to follow after a reported incidence of petty cash theft.
<b>Ad-hoc advice</b>	Advice provided over granting of access to PECOS approvers due to issues with the relevant line management staff not being set up on IT systems to authorise.
<b>Ad-hoc advice</b>	Advice provided on temporary arrangements for PECOS ordering procedures for two existing members of staff given potential separation of duties conflicts.
<b>Ad-hoc advice</b>	Provided advice on accounting for income due with respect to breakfast club at a school.

**APPENDIX E**

Type of Other Work	Status / Outcome
<b>Ad-hoc advice</b>	Provided advice to an external auditor of a school fund at a Stockport maintained school regarding a large transfer of funds between the school fund and main bank account
<b>Ad-hoc advice</b>	Provided advice to a school regarding claim from staff for additional cost arising from changing car insurance from personal to business use.
<b>Ad-hoc advice</b>	Provided advice regarding gifts of money to a school for investment
<b>Certification work</b>	ASF grant claim with respect to Special Guardians