



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

2023-24

Progress Report 1

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Distribution: Corporate Leadership Team
Corporate Governance Group
Audit Committee

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1 Introduction and Background

- 1.1 The report sets out the progress made in the period 18th February 2023 to 9th June 2023 against the 2022-23 and 2023-24 audit plans.

2 Status of Internal Audit Work

- 2.1 The table below shows the cumulative number of internal audit reviews completed, in progress with respect to high and medium priority risk based audit work during the period from 18th February 2023 to 9th June 2023.

| Audit Plan Year | Audit Status | No. of Reviews |
|-----------------|--------------------|-------------------------|
| 2022/23 | Audits completed | 14 |
| | Audits in progress | 9 |
| 2023/24 | Audits in progress | 2 <small>Note 1</small> |

Note 1: This only includes those audits where we have formally issued the terms of reference to the client and commenced

3 Outcomes from Final Reports

- 3.1 The detailed outcomes from each finalised audit since 18th February 2023 to 31st March 2023 are also shown in the Head of Internal Annual Audit Report and Opinion as well as Appendix B.
- 3.2 Those detailed outcomes for each finalised audit since 1st April 2023 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 Counter Fraud work and Investigations

Proactive counter fraud work

- 4.1 The Audit Plan includes 20 days for participation in the National Fraud Initiative and 5 days for one proactive anti-fraud review.

Investigations

- 4.2 The following investigations have been undertaken in the period:

| Area | Status |
|---------------------|---|
| Pest Control | A review of health and safety controls following discussions with the Director of Place Management. |

| | |
|--------------------------------|---|
| Salary overpayment | <p>In April and May we investigated the circumstances leading to and actions taken around a salary overpayment.</p> <p>We reported our findings and suggested action plan to prevent further occurrences to management.</p> |
| Attempted payment fraud | <p>In May we were alerted by colleagues in Schools' HR that attempts were made to divert a payment to a former employee. Investigations in conjunction with colleagues in IT revealed an email account (external to SMBC) had been hacked and used to gain intelligence around the payment and then, using a "spoof" email account purporting to be the ex-employee, attempts were made to change the bank details for the payment.</p> <p>The attempt was unsuccessful, and a report has been filed with the Police.</p> |

5. Project advisory work

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

| Project | Advisory Work | Status |
|---|--|----------------------|
| Stockport Exchange | Ongoing attendance at Project Board. | Ongoing |
| Markets & Underbanks – development & regeneration | Ongoing risk advice and support. | Ongoing |
| Highways Capital/ Highways Improvement Programme | Attendance at Boards and risk management advice. | Ongoing |
| Capital Board | Attendance at the corporate Capital Board. | Ongoing |
| Transformation Programme – Project Steering Group | Support to this key group to manage the key risks associated with those projects designed to support the MTFP and associated savings targets. | Ongoing |
| Workforce Development Group | Ongoing attendance at Group meetings and advisory role in developing the review PDR process. | Ongoing |
| DLUHC Assurance regime | Providing support to colleagues preparing for the upcoming DLUHC "Deep Dive" audit. | Ongoing |
| Socitm Enterprise Resource Project (SAP) / Financial Systems Review Programme | Attendance at key workstream workshops. Future attendance at Project meetings to advise and support on new system software risks and controls. | Workshops completed. |

| Project | Advisory Work | Status |
|-----------------------|--|--|
| | | Options Appraisal Discovery Report produced. Project start date to be confirmed. |
| Adults Transformation | Attendance at Board and support for the managing of risks around the programme. | Ongoing |

6 Schools and Other Work

- 6.1 Appendix C summarises the work done in this period to complete the 2022-23 school reviews. The Summary Annual School Audit Report 2022/23 has been prepared and will be shared with all relevant parties shortly.
- 6.2 Appendix D summarises the requests for other work advice or ad-hoc audit work that have been dealt with by the team in the four months to 9th June 2023. These include advice and ad-hoc audit work, risk management consultancy work, compliance work / grant claims and continuous auditing exercises.

7 Implementation of Recommendations

- 7.1 Final Internal Audit reports issued include management action plans to address agreed recommendations to address exposure to risk. The effective implementation of these action plans within timescales determined by management is therefore essential.
- 7.2 As part of the agreed approach, Internal Audit conducts follow-ups which are focused on high and medium risks as these represent a greater overall risk. The position on implementation in respect of these categories of recommendation since February 2022 is shown below.

| By Recommendation Grade | B/Fwd | New | Closed | C/Fwd |
|-------------------------|-------|-----|--------|-------|
| High | 20 | 10 | 2 | 18 |
| Medium | 38 | 16 | 11 | 43 |
| Low | 33 | 8 | 26 | 15 |
| Total | 91 | 34 | 39 | 86 |

- 7.3 It is also part of the agreed approach that an update on those audits where a limited or no assurance opinion are provided to the Audit Committee. A detailed update was provided to the Audit Committee in November 2021 and therefore a brief update is provided below for those remaining outstanding.

| Review | Original Opinion | Updated Opinion | Update |
|--|------------------|-----------------|---|
| Homecare Payments | Limited | Limited | <p>We reported in July progress report that once the new visits module has been implemented, we would verify the new arrangements to confirm the new process is working effectively.</p> <p>However, the visits module has been put on hold due to the imminent care reform and the billing module would provide much more advantage than the visits module at this time.</p> <p>In the meantime, a short-term solution continues to be operated where providers are required to confirm their submission of actual visits to the Finance team. This has reduced the number of discrepancies and disputes regarding charges for care.</p> <p>We have recommended that client management should continue to monitor this but in the short term we will not be undertaking any further follow ups in this area.</p> <p>Once the new ICT solution has been implemented, we will verify the new arrangements to confirm the new process is working effectively.</p> |
| Dog warden service | Limited | Limited | <p>The GM wide tendering process that was commenced two years ago but then postponed due to the pandemic, will no longer be continued as many authorities have established their own local arrangements.</p> <p>The Service intend to procure the existing provider for another 12 months under a one quote arrangement given the relatively low values involved.</p> |
| Debt recovery within Adult Social Care | Limited | N/a | <p>A review of social care charging processes is underway as part of the Adult Social Care Transformation Programme. This dovetails with the arrangements now in place to manage existing debt.</p> <p>The work undertaken by specialist call handlers and the new debt panel has secured commitments to repay over £0.6m of existing debt and the call handling function has been extended to April 2024.</p> <p>The new debt policy for social care clients has been produced. A referral pathway is to be set up for individuals new to Adult Social Care to be referred to the team for a benefit check (pension credits, attendance allowance etc).</p> <p>We will continue to provide updates to Audit Committee on progress in this area.</p> |
| SPB rental estates | Limited | Limited | <p>The key recommendation is to source a fit for purpose property management software.</p> <p>The service has been in discussions with the existing provider of property management software to discuss</p> |

| Review | Original Opinion | Updated Opinion | Update |
|--------------------------|------------------|-----------------|--|
| | | | <p>what improvements could be made in order that the system meets the Councils requirements. A trial of this software was taken but question marks remain as to whether it was wholly suitable. Two other providers have been identified who are scheduled to provide a demonstration of their software. One of them supply software to multiple local authorities and the service are in discussions with neighbouring Councils who use this system to obtain feedback and to see if it meets their needs.</p> <p>When the options have been evaluated the service will be able to makes a decision on which should be acquired having had regard to budget constraints’.</p> |
| Legal – Norwell bundling | Limited | N/a | The only outstanding recommendation relates to the implementation of a new version of the Norwel system which would simplify the bundling process. This implementation has been delayed until later in the year. |

8 Performance Indicators

- 8.1 The table below sets out the performance of the Internal Audit team from 1st April 2023 to June 2023.

| Performance Indicator | 2022/23 Target | Forecast to 31 st May | Actual to 31 st May |
|---|----------------|----------------------------------|--------------------------------|
| Audit plan completed by year end | 90% | 15% ^{Note 1} | 14% |
| 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 % | 15-30% | 29% |

Note 1: The forecast is amended from normal projected forecast due to vacancy in senior auditor post

APPENDIX A

STATUS OF APPROVED INTERNAL AUDIT PLAN

This table below reports the status of the remaining audit work from the 2022/23 audit plan and the progress in commencing audit work from the 2023/24 audit plan [* finalised by 31st March 2023 and also included in Annual Audit Report]

| Audit Plan | Review | Status |
|------------|--|--|
| 2022-23 | SPB rental estates income collection * | Completed |
| 2022-23 | SEN Transport * | Completed |
| 2022-23 | Counter fraud audit of Bank Mandates * | Completed |
| 2022-23 | Social Care Finance – Deferred Payment Scheme * | Completed |
| 2022-23 | Supporting Families * | Completed |
| 2022-23 | Searchlight (DWP system) * | Completed |
| 2022-23 | School capital strategy and programme | Completed |
| 2020-22 | Patch and Vulnerability Management (Salford Computer Audit Services) | Completed |
| 2022-23 | Treasury Management | Draft report issued |
| 2022-23 | STAR Intend | Completed |
| 2022-23 | Security governance and management | Draft report prepared |
| 2022-23 | Debtors | Fieldwork substantially completed Draft report in preparation |
| 2022-23 | Continuing Health Care / Funded Nursing contributions Audit | Fieldwork nearing completion |
| 2022-23 | Flood Prevention Management | Fieldwork |
| 2022-23 | Thematic review of Sports Coaches | Fieldwork |
| 2022-23 | Thematic review of School Trips | Fieldwork |

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| Audit Plan | Review | Status |
|------------|--|-----------|
| 2022-23 | Payroll reconciliation | Fieldwork |
| 2023-24 | Bramhall Hall | Fieldwork |
| 2023-24 | Leisure CIC | Fieldwork |
| 2022-23 | Continuing Health Care / Funded Nursing Contributions – Joint Pro-active anti-fraud work with Merseyside Internal Audit | Planning |

APPENDIX B

OUTCOMES FROM FINAL AUDIT REPORTS

| Review | Overall Opinion | Analysis of Recommendations | | Summary of Findings |
|--------------------------------------|-----------------|-----------------------------|---|--|
| SPB rental estates income collection | Limited | High | 6 | <p>The audit identified systemic changes to the financial administration of property rents. The SAP-AR system is used for billing and CivicaPay for collecting income.</p> <p>There are no links between the O6 system to the SAP financial ledger and therefore the O6 is effectively a standalone property lease database system. Property rents are paid into the Council's main receipts ("Standing Orders") bank account with other income, as well as being posted within the same fund as sundry debts on CivicaPay. There is no regular reconciliation of bills issued in SAP against monies received in SAP and there is no overall financial control exercised over ensuring property rental accounts on SAP-AR is accurate and complete.</p> <p>There is limited functionality and a lack of adequate management information that can be extracted from the O6 system. This is because it is primarily used as a repository of lease information to facilitate SAP-AR billing, not as a financial software management system for property assets.</p> <p>There are numerous chief and ground rents which are of low value being billed and posted to tenants which are inefficient and not cost effective.</p> <p>There are no formal debt recovery procedures within the Estates department. Due to the Coronavirus Act, the department was prevented from being able to evict tenants for the non-payment of rent during the pandemic. This has meant that the debt position with regards to the property assets show a significant number of accounts in arrears. There have been no proper processes applied in issuing reminders to tenants who have defaulted on their property rental obligations.</p> |
| | | Medium | 1 | |
| | | Low | 0 | |
| SEN Transport | Moderate | High | 3 | <p>Overall, we identified satisfactory arrangements in place for ensuring taxi drivers and vehicles are suitable and safe to be used on SEN transport routes and maintaining adequate financial records for making payments to contractors and personal travel budgets to parents.</p> <p>However, we identified some gaps in the monitoring processes, particularly around ensuring taxi drivers who are licensed by other local authorities are kept under review by the travel</p> |
| | | Medium | 5 | |
| | | Low | 0 | |

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| Review | Overall Opinion | Analysis of Recommendations | | Summary of Findings |
|---|-----------------|-----------------------------|---|---|
| | | | | <p>co-ordination team, and ensuring all parties involved in the SEN transport routes are taking up the training on safeguarding.</p> <p>We also found the current process for maintaining financial records to be manual, time consuming and prone to errors. We understand there is a new system Flexi Route which has the capacity to undertake the billing process based on the information held within the routes but this is not yet up and running at the time of the audit.</p> |
| Counter fraud audit of Bank Mandates | Substantial | High | 0 | <p>The department has well established procedures in place to ensure that the verification process for creating new vendors or amending existing details, is verified by a secondary person and every stage of the process is recorded and supporting evidence retained. Once amendments to existing vendors have been made and the secondary check completed, no continuous monitoring of amendments over the year is taking place.</p> <p>Running a report that allows an overview of the changes, would create an additional control to ensure any potential fraud is detected.</p> |
| Social Care Finance – Deferred Payment Scheme | Moderate | High | 0 | <p>Our review confirmed extensive internal procedures are documented and in place for employees, but we found scope for improvements in publicising guidance and information for members of the public in relation to the Council's deferred payment agreement policies.</p> <p>Our sample test of DPA cases show that processes are in place and adhered to, ensuring that DPAs are identified, recorded and monitored. However, we note that there is a delay in waiting for the legal charge to be applied through HM Land Registry, which the service continues to monitor and record the amounts accruing against the property until the charge is secured.</p> <p>We also found a few instances where the current processes in sharing the agreed DPA paperwork with service users's representative and legal services has led to delays in reaching an agreement. This impacts the registering of the debt with HM Land Registry, and consequently both increases the risk of debt disputes and lengthens the debt recovery process. Digital processes around this are being explored to mitigate the above risks.</p> |

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| Review | Overall Opinion | Analysis of Recommendations | | Summary of Findings |
|--------------------------|-----------------|-----------------------------|-------------|---|
| | | | | Our review of a sample of active DPAs confirmed that oversight and monitoring processes have improved with the use of a Business intelligence report that extracts information from the ContrOCC system and which is refreshed daily. This allows the team an overview of all DPAs and enables more effective review and monitoring processes, including ensuring debts are recovered. |
| Supporting Families | Moderate | High Medium Low | 0 3 2 | <p>Our testing confirmed that there are robust systems in place during the referral/ engagement process to ensure that families meeting the criteria are recorded. The Enterprise Data Warehouse, a business intelligence system, provides a clear overview of which criteria have been met for each family included and this is shared with Stockport Family managers via a Tableau dashboard.</p> <p>All the cases sampled had one lead caseworker who was clearly identified in LiquidLogic. This officer will have co-ordinated all the work with a family including the initial assessment and subsequent follow-ups. In most of the cases sampled, regular reviews and closure meetings were recorded in LiquidLogic, which demonstrated the families' progress towards their goals. We found in a small number of cases, reviews were not recorded in LiquidLogic, usually where the case was led by a partner agency.</p> <p>Improvements in the processes for recording data in the Liquid Logic system and data sharing arrangements has led to improvements in performance monitoring processes.</p> <p>Management reviews the Early Help Systems Guide annually and can clearly demonstrate progress over time in this area. They have identified their top three priority areas for Stockport and they have well-defined plans in place to address this.</p> |
| Searchlight (DWP system) | Moderate | High Medium Low | 1 4 0 | <p>We believe that the Council has put in place good arrangements to ensure compliance with the core requirements of the DWP MoU. Controls around user access and administration could be improved to ensure training is up to date and leavers are removed on a timely basis.</p> <p>It is important that the issue of IT accreditation is raised on a timely basis with colleagues in ICT and, if necessary, the DWP, to ensure Searchlight access is seamlessly maintained in the future.</p> |

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| Review | Overall Opinion | Analysis of Recommendations | | Summary of Findings |
|--------------------------------------|--|-----------------------------|---|---|
| Schools capital strategy & programme | Moderate | High | 0 | <p>Our review confirmed</p> <ul style="list-style-type: none"> satisfactory arrangements are in place around the systems in place to establish and record the current condition of the school estate and the means by which works on the school's estate are prioritised. there are robust measures in place to set the capital budgets and manage the capital programme, including good reporting mechanisms to the School Place Planning Board. the schools capital programme is underpinned by a detailed policy and the School Sufficiency Investment Plan combined with a regular mechanism for selecting schools for capital works for inclusion in the School Estate Management Plan. <p>We reported a few minor areas for improvement which the Schools Estates team have taken on board.</p> |
| | | Medium | 1 | |
| | | Low | 4 | |
| Patch and Vulnerability Management | Very Effective (Assurance rating provided by Salford ICT Audit) | High | 0 | <p>This was an audit undertaken by Salford Council ICT Auditors.</p> <p>The review provided assurance on whether there were appropriate controls in place to minimise key risks associated with IT vulnerabilities across the Stockport IT infrastructure.</p> <p>The review concentrated on the following areas:</p> <ol style="list-style-type: none"> Vulnerability management policies and procedures – policies reflects the processes followed to ensure a consistent approach throughout the Council, however it missed detail on how the Council manages non-core applications Vulnerability discovery process - The various methods of detection and discovery software reduces the risk of vulnerabilities in system remaining for extended periods of time that would otherwise put the corporate network at risk of attack. Vulnerability/patching prioritisation process - The management of updates to both core infrastructure and third-party applications reduces the risk of exploitation of vulnerabilities. Vulnerability reporting, remediation and rescan process - The continuous nature of scanning and automated remediation means there is little chance of vulnerabilities |
| | | Medium | 2 | |
| | | Low | 0 | |

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| Review | Overall Opinion | Analysis of Recommendations | | Summary of Findings |
|---------------|-------------------|-----------------------------|---|--|
| | | | | <p>remaining for extended periods of time which reduces the risk of exploitation of vulnerabilities from unpatched vulnerabilities or misconfiguration</p> <p>5. Trending and Metrics - The monitoring of the removal of vulnerabilities and the state of the anti-virus updates throughout the connected infrastructure reduces the risk of exploitation of vulnerabilities on the network</p> |
| STAR - Intend | Limited Assurance | High | 2 | <p>The purpose of implementing Intend within Stockport Council was “to improve and standardise our contract management processes”. Additionally, it is the primary tool for STAR to produce and manage their contract register.</p> <p>Our review has highlighted that Intend is not currently being used to the extent to which it was anticipated when it was introduced. There were two key observations from our testing:</p> <ul style="list-style-type: none">• There is limited engagement with the system by officers listed as key contacts/ contract managers. This limits the effectiveness of the system as a contract management tool; and• Minimal contractual documentation is being stored on the system limiting its effectiveness as a comprehensive contract register. <p>SMBC Management will be working alongside STAR to address the weaknesses identified.</p> |
| | | Medium | 1 | |
| | | Low | 0 | |

APPENDIX C

AUDIT OF SCHOOLS and ACADEMIES

The table below shows the progress made on audit of schools and academies since the last progress report in February 2023.

| Year | School | Status |
|---------|------------------------------------|-----------|
| 2022-23 | North Cheshire Jewish Primary | Completed |
| 2022-23 | St Joseph's (Stockport) RC Primary | Completed |
| 2022-23 | Westmoreland Primary School | Completed |
| 2022-23 | Bolshaw Primary School | Completed |

AUDIT OF ACADEMIES

| Academic Year | Academy | Status / Outcome |
|---------------|---|---|
| 2022-23 | Hursthead Junior School (The Kirkstead Education Trust) | Spring term report completed |
| 2022-23 | Mellor Primary School (The Honeycomb Trust) | Autumn term report completed Spring term visit held; draft report issued |

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OTHER WORK

| Type of Other Work | Status / Outcome |
|---------------------------|--|
| Elections | Management of postal vote process at local elections. Pre checking of ballot boxes prior to issue to Presiding Officers |
| Ad-hoc advice | Provided advice on updating the Culture & Leisure Finance Manual |
| Ad-hoc advice | Provided advice regarding crowdfunding at schools |
| Certification work | Completed audit of Youth Justice Grant claim |
| Certification work | Completed audit of Brookfield Park Shiers Trust financial statements |