



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

2023-24

Internal Audit Progress Report 3

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Distribution: Corporate Leadership Team
Corporate Governance Group
Audit Committee

Date: 27th February 2024

1 Introduction and Background

- 1.1 The report sets out the progress made in the period 21st October 2023 to 16th February 2024 against the 2022-23 and 2023-24 audit plan.

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 21st October 2023 to 16th February 2024.

Audit Plan Year	Audit Status	No. of Reviews
2022/23	Audits completed	1
	Audits at Draft Report stage	3
2023/24	Audits completed	8
	Audits at Draft Report stage	6
	Audits in progress ^{Note 1}	11

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 21st October 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 (NFI). Our work on NFI is ongoing. In line with the risk rating used by the NFI, all high risk areas that were matched are selected for review. These include Blue Badges, Payroll, Pensions, Taxi Licences and Housing.
- 4.2 Testing on data around blue badge usage identified one case where a contact has been used for multiple badges and we will monitor this over the next few exercises. In addition, we selected a random 10% sample of 535 deceased records against Liquid Logic to verify that the details of the death had been captured and payments ceased. We confirmed the date of death recorded correctly in all cases and any linked payments were subsequently ceased.
- 4.3 Testing around payroll data identified a number of individuals working multiple jobs in dual roles across different organisations. We confirmed through the secure website that these

are all legitimate appointments. We continue to follow up one remaining case.

- 4.4 Pensions gratuities, where individuals have died but still on the Council's payroll. Our review confirmed payments for all but one case, were stopped on the following payroll run. The remaining case related to a pensioner in a care home outside the borough when they died. Overpayments of £2,784.40 were identified and the details forwarded to payroll for appropriate action.
- 4.5 The details of a single taxi driver originally highlighted as potential identify theft. However further testing and discussions with the Licensing Manager confirmed this not to be the case and no further action was required.
- 4.6 Housing tenants are being reviewed by Stockport Homes. No issues were noted.
- 4.7 Data for the December Electoral Register and Council tax records were also extracted, verified and submitted on time.

Investigations

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

Area	Status
Data breach - CT change in circumstances	The Risk Manager undertook a review of the change in circumstances process for Council Tax following two breaches due to mishandled changes in circumstances/address. Work is ongoing with the DPO and the service to strengthen system controls and management reporting.
Data breach- Third party regulators	The Head of Audit and the Risk Manager supported the Monitoring Officer in investigating the circumstances around a data breach where sensitive information was disclosed to a third party regulatory body.

5. Risk Management Arrangements

- 5.1 Following an update to Corporate Leadership Team on 29th August 2023, the service has developed a continuous and proportionate approach to documenting and monitoring risk within Directorates/services. A range of improvements outlined below are aimed at further embedding processes:
 - Engaging with other CSS colleagues in a forthcoming project to develop a system to monitor and report on service Business Plan objectives and associated risks (short and medium term planning).
 - Attendance at Corporate Leadership Team (CLT) quarterly to discuss key corporate and Directorate risks to ensure that changes to the Corporate Risk Register and risk profile of the Council are agreed collectively at senior level.
 - Engaging with Directorate Senior Management Teams on a twice yearly basis to discuss key corporate and service risks and any risk training support, workshops and training required.

- Development of an online introduction to risk management course to increase the organisational understanding of risk management.
- Providing support to a range of projects and programmes including those highlighted in the table 6.1 below.
- In conjunction with the Head of Internal Audit, running risk focused workshops for Audit Committee members on key areas of risk. The first workshop (MTFP Risks) was held in November 2023 with a session on Cyber risk to be confirmed.
- All future internal audits will be formally flagging those areas which do not have robust risk management processes. Audit Committee members will be updated on these findings as per the quarterly IA Progress Reports.
- A reciprocal peer review of Risk Management arrangements is planned with Salford/Warrington Risk Services in Q1 of 2024/25.

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	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
A34 MRN	The Risk Manager attends the Programme Board for the delivery of the major scheme on the A34.	Ongoing
Capital Board	Attendance at the corporate Capital Board.	Ongoing
Capital Programme Risk Review	At the request of Capital Board, the Risk Manager undertook a risk review of the entire capital programme.	Completed
RAAC Project Group	Ongoing support and challenge around RAAC risks and broader risks around the Council’s buildings and estates.	Ongoing
DOLS backlog	Ongoing support and training to key staff in this area looking at ways to reduce backlog of current requests.	Ongoing

Project	Advisory Work	Status
Workforce Development Group	Ongoing attendance at Group meetings and advisory role in developing the review PDR process.	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. 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
Bereavement Services	The Risk Manager is providing ongoing support to a cross service project to bring the service back under Council operation.	Completed

7 Schools and Other Work

- 7.1 Appendix C summarises the work done in this period to complete the 2023-24 school reviews.
- 7.2 Appendix D summarises the requests for other work advice or ad-hoc audit work that have been dealt with by the team since 21st October 2023. These include advice and ad-hoc audit work, risk management consultancy work, compliance work / grant claims and continuous auditing exercises.

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 21st October 2023 is shown below.

By Recommendation Grade	B/Fwd	New	Closed	C/Fwd
High	30	2	0	32
Medium	39	9	0	48
Low	18	3	0	21
Total	87	14	0	101

- 8.3 Two reviews with limited assurance opinion were issued in the previous period (Debtors and STAR- Intend). We will continue to monitor these and will report in detail at the next Audit Committee meeting in July 2024.

9 Performance Indicators

9.1 The table below sets out the performance of the Internal Audit team from 1st April 2023 to 16th February 2024.

Performance Indicator	2023/24 Target	Forecast to 16th Feb 2024	Actual to 16th Feb 2024
Audit plan completed by year end	90%	78%	74%
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%	24%

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

Audit Plan	Review	Status
2022-23	Security governance and management	Completed
2023-24	Climate Change	Completed
2023-24	Leisure CIC	Completed
2023-24	Gifts, hospitality and register of interests	Completed
2022-23	Continuing Health Care (CHC) / Funded Nursing Contributions (FNC) – Internal Audit	Draft report issued ^(Note 1)
2022-23	Flood Prevention Management	Draft report issued
2022-23	Payroll reconciliation	Draft report issued
2023-24	Data Quality	Draft report issued
Unplanned	HRA Capital	Draft report issued
2023-24	SharePoint / Office 365	Draft report prepared
2023-24	Cybersecurity risks at schools	Draft report in preparation
2023-24	Recruitment and retention	Draft report in preparation
2022-23	CHC/FNC – Joint Pro-active anti-fraud work with Merseyside Internal Audit	Fieldwork concluding ^(Note 1) <i>(Data sharing agreement has been approved)</i>
2023-24	Emergency planning, civil resilience and business continuity	Fieldwork
2023-24	Complaints – lessons learnt	Fieldwork
2023-24	Trading standards	Fieldwork

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Audit Plan	Review	Status
2023-24	Pest control / hygiene action	Fieldwork
2023-24	Creditors and Purchasing Cards	Fieldwork
2023-24	Information governance	Fieldwork
2023-24	ASC – improvements in quality and performance – waiting lists	Fieldwork
2023-24	Third party ICT Supplier management	Fieldwork
2023-24	Household support funds	Fieldwork

Note 1: Fieldwork on the CHC/FNC data matching exercise is concluding, so the plan is to report this and then finalise both reports together.

APPENDIX B

OUTCOMES FROM FINAL AUDIT REPORTS

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
Security governance and management	Moderate	High	1	<p>Our review identified robust cybersecurity risk management processes are in place and there is an extensive range of IT security policies available. There are satisfactory system monitoring procedures for the management of security events, including the logging and review of events on critical and sensitive systems. There is an ICT compliance framework in place that details the standards and regulations that the Council must comply with, including Payment Card Industry Compliance, NHS National Network and PSN Code of Connection compliance.</p> <p>However, we identified some improvements that are required to the governance and management arrangements around security, namely streamlining the governance structures, implementing formal security awareness training programme and documenting an information security charter and security strategy.</p>
		Medium	3	
		Low	0	
Climate Change	Moderate	High	1	<p>Climate change has been on the Corporate Risk Register since 2019, and the risk rating was increased in 2023. However, we found that this has not yet led to firm plans across Directorates or Teams, which outline how these emerging climate risks will be mitigated. The leader of the CAN team is in the process of developing climate change risk workshops for senior management, and we recommend that these are utilised to develop Climate Change Adaptation Plans across all relevant Directorates and teams as part of their service Risk Registers.</p> <p>Currently, the Council has made good progress on measuring Scope 1 and 2 emissions against the Greenhouse Gas Protocol’s global emissions standards but, like a lot of local authorities, still has work to do on understanding the Scope 3 emissions. We found robust processes in place to track data on emissions and this year the annual CAN report to CLT and members included this emissions data for the first time.</p> <p>According to the latest figures from BEIS, GM as a whole has already “overspent” its carbon budget by 9.9 million metric tonnes up to 2020. Stockport will need to work with the other GM Councils on how to present the overspend and maintain positive efforts to reduce carbon emissions. Actions underway involve the Carbon Reporting Dashboard,</p>
		Medium	3	
		Low	3	

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Review	Overall Opinion	Analysis of Recommendations		Summary of Findings					
				<p>the tree-planting programme and consideration of environmental impact of all major decision in the form of an Environmental Impact Assessment. We have made a number of recommendations to improve in these areas.</p> <p>The Council have developed a wide range of successful climate-related initiatives over recent years, which are intended to raise awareness amongst residents about climate change. As the scope of the CAN team grows, a CAN Communication/Engagement Strategy may be required going forward. This may help spread information about climate change and adaptations widely and ensure that a consistent message is delivered.</p>					
Leisure CIC	Moderate	<table border="0"> <tr> <td>High</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>3</td> </tr> <tr> <td>Low</td> <td>0</td> </tr> </table>	High	0	Medium	3	Low	0	<p>Operationally, the contract with Life Leisure for Leisure, Customer Engagement and Active Communities are managed effectively. Our review of the budget monitoring arrangements for the Life Leisure contract found robust procedures are in place. However, the updated business plan taken to CRMG show increases in costs mainly due to increased energy costs, although there are other factors involved such as increased staff costs and building maintenance costs. We recommended that this should be closely scrutinised by management and members going forward.</p> <p>We also found great progress has been made to align Life Leisure’s operations with the Council’s carbon goals.</p> <p>The operating model of monitoring the CIC has changed significantly during the first 12-18 months of the newly formed business, with the working relationship between Life Leisure and the Council becoming more of a partnership. Extensive work has taken place to ensure that the priorities of Life Leisure align with those of the Council, and that the work of the CIC facilitates the priorities of the One Stockport Plan. As a result of the change in delivery model, the KPIs, monitoring processes, and expectations outlined within the initial contract no longer reflect practice and procedure. We made a number of recommendations to address these.</p>
High	0								
Medium	3								
Low	0								
Gifts, hospitality and register of interests	Moderate	<table border="0"> <tr> <td>High</td> <td>0</td> </tr> <tr> <td>Medium</td> <td>1</td> </tr> </table>	High	0	Medium	1	<p>Our review confirmed sufficient guidance for officers and members on gifts, hospitality and interests are available along with Code of Conducts. However we recommend that separate procedural guidance may be required to ensure all necessary information is</p>		
High	0								
Medium	1								

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Review	Overall Opinion	Analysis of Recommendations	Summary of Findings
		<p>Low 5</p>	<p>provided. Whilst training is provided for newly elected members on gifts, hospitality and interests, induction training for officers do not cover this. In addition elected members receive annual notifications from Democratic Services about their responsibilities in relation to gifts, hospitality and interests, but staff are not regularly reminded of this.</p> <p>Elected members have a robust and centralised electronic system for the recording of gifts, hospitality and interests, via modern.gov, and there is strong evidence of Democratic Services supporting members to utilise this system.</p> <p>With regards to the procedures for officers, the existing systems are less efficient, and not applied consistently, due to a long-standing lack of clarity about the rules, and about the responsibility for overseeing declarations. The audit coincided with an ongoing project between the Monitoring Officer and Business Intelligence, around developing a centralised electronic system for the registering of Officer gifts and hospitality. The Monitoring Officer will now have oversight of all gifts and hospitality received by officers, in line with the system already in place for members.</p> <p>During committee meetings, elected members actively make use of the standard agenda item to declare outside interests relating to the business of the committee. There are no equivalent system is in place for officers.</p> <p>A number of recommendations have been made to address the above issues which have been accepted by management.</p>

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 October 2023.

Year	School	Status	Opinion
2023-24	Ludworth Primary School	Completed	Limited
2023-24	St Simons School	Completed	Moderate
2023-24	Lum Head	Completed	Substantial
2023-24	Ladybridge	Completed	Moderate
2023-24	The Pendlebury Centre	Completed	Substantial
2023-24	Banks Lane Junior school	Draft report issued	N/A
2023-24	Oak Tree Primary	Draft report issued	N/A
2023-24	Didsbury Road Primary	Fieldwork booked end Feb 2024	-
2023-24	Torkington Primary	Fieldwork booked March 2024	-

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AUDIT OF ACADEMIES

Academic Year	Academy	Status / Outcome
2023-24	Hursthead Junior School (The Kirkstead Education Trust)	Autumn term report completed Spring term visit undertaken, report being prepared
2023-24	Mellor Primary School (The Honeycomb Trust)	Autumn term draft report issued Spring term visit booked

OTHER WORK

Type of Other Work	Status / Outcome
Ad-hoc advice	Advice provided to School Finance on suitability of individuals appointed to audit School Funds
Ad-hoc advice	Advice provided to a school regarding maintenance of records to refute overcharges on free school meals
Ad-hoc advice	Advice provided to a school regarding lease contracts
Support to Management	A review of correspondence between all parties regarding a Stage 2 complaint against a school was undertaken. This was to provide a sense check of facts to management to enable them to provide an updated and accurate response to the complainant.