



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

2024-25

Internal Audit Progress Report 1

Prepared by: Wendy Christie (CSS Manager, Internal Audit)

Issued by: John Pearsall (Head of Internal Audit, Risk and Insurance)

Distribution: Corporate Leadership Team
Corporate Governance Group
Audit Committee

Date: July 2024

1 Introduction and Background

- 1.1 The report sets out the progress made in the period 17th February 2024 to 26th June 2024 against the 2023-24 and 2024-25 audit plan.

2 Status of Internal Audit Work

- 2.1 The table below shows the cumulative number of internal audit reviews completed (including schools), in progress with respect to high and medium priority risk based audit work during the period from 17th February 2024 to 26th June 2024. This includes

Audit Plan Year	Audit Status	No. of Reviews
2022/23	Audits completed	1
	Audits at Draft Report stage	1
2023/24	Audits completed	10
	Audits at Draft Report stage	10
2024/25	Audits at Draft Report stage	1
	Audits in progress	9

3 Outcomes from Final Reports

- 3.1 The detailed outcomes from each finalised audit since 17th February 2024 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) and ? days for two proactive reviews. (list them)

Investigations

- 4.2 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 2 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 is has developed 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.
- 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.
- Developed 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 above.
- 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.

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
Highways Capital/ Highways Improvement Programme	Attendance at Boards and risk management advice.	Ongoing

Project	Advisory Work	Status
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
Workforce Development Group	Ongoing attendance at Group meetings and advisory role in developing strategic objectives including the One People Plan and associated policies.	Ongoing
Academy Steering Group	Lead role with Finance colleagues in developing and delivering a strategy around key service delivery to academies.	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

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 17th February 2024. 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 17th February 2024 is shown below.

By Recommendation Grade	B/Fwd (Adj)	New	Closed	C/Fwd
High	32	10	(26)	16
Medium	47	15	(22)	40
Low	17	6	(6)	17
Total	96	31	(54)	73

8.3 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. We provided a detailed update to the Audit Committee in July 2023. An updated position statement is shown below.

Review	Update
Dog warden service	<p>It was confirmed that advice from Legal Services on the licensing issue was not a legal requirement but good practice. With respect to the tendering process that was postponed due to the pandemic, subsequent advice from STAR confirmed that due to the low value of the contract, a one quote process was sufficient.</p> <p>CLOSED</p>
Homecare Payments	<p>We reported in July 2023 that short term solutions continue to operate where providers are required to confirm their submission of actual visits to the Finance team, pending decision on possible procurement of new billing module.</p> <p>There are now plans to implement the new billing module during the early part of 2024-25 and we have an audit of Charging and Debt in Adult Social Care scheduled in 2024-25. We will report on our findings in this area as part of this audit.</p> <p>CLOSED</p>
Debt recovery within Adult Social Care	<p>We reported in July 2023 that 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>As part of this project, there are now plans to implement the new billing during the early part of 2024-25 and we have an audit of Charging and Debt in Adult Social Care scheduled in 2024-25. We will report on our findings in this area as part of this audit.</p> <p>CLOSED</p>
SPB Rental Estates	<p>We have a commercial rental income collection audit scheduled in 2024-25 which will include a follow up of the issues raised in the previous audit and focus on the operational and financial arrangement.</p> <p>CLOSED</p>
Legal – Norwell bundling	<p>The service has undertaken significant action to mitigate the risks of a repeat breach in this area including the recruitment of Legal Assistants to better check bundled court documents.</p> <p>Protocols for naming documents are being developed.</p> <p>ONGOING</p>

Review	Update
Debtors	We are currently working with the Group Accountant, in the Transactional Finance team to address some of the issues around managing debt information. ONGOING
STAR – Intend	We have a contract management arrangement audit scheduled in 2024-25 which will include a follow up of the issues raised in the previous audit and include a review of the current arrangements for complying with the legislative changes. CLOSED

8.4 We issued a limited opinion on Payroll control account reconciliations and will report on progress on this in the next Audit Committee meeting.

9 Performance Indicators

9.1 The table below sets out the performance of the Internal Audit team from 1st April 2024 to 26th June 2024.

Performance Indicator	2023/24 Target	Forecast to 30 th June 2024	Actual to 30 th June 2024
Audit plan completed by year end	90%	22.5%	18%
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 2023/24 audit plan and the progress in commencing audit work from the 2024/25 audit plan

Audit Plan	Review	Status
2022-23	Payroll reconciliation	Completed
2023-24	Gifts, hospitality & register of interests	Completed
2023-24	Cybersecurity risks at schools	Completed
2023-24	Recruitment and retention	Completed
2023-24	Third party ICT Supplier management	Completed
Unplanned	HRA Capital	Completed
2023-24	Emergency planning, civil resilience and business continuity	Completed
2023-24	Household support funds	Draft report issued
2022-23	Flood Prevention Management	Draft report issued
2023-24	Data Quality	Draft report issued
2023-24	SharePoint / Office 365	Draft report issued
2023-24	Complaints – lessons learnt	Draft report issued
2023-24	Pest control / hygiene action	Draft report issued
2023-24	Information governance	Draft report issued
2023-24	Trading standards	Draft report issued
2023-24	Creditors and Purchasing Cards	Draft report to issue
2023-24	ASC – improvements in quality and performance – waiting lists	Draft report to issue
2024-25	Supporting Families	Draft report issued

APPENDIX A

Audit Plan	Review	Status
2024-25	Venue management	Fieldwork
2024-25	Arboricultural services (tree management)	Fieldwork
2024-25	Bailiffs contract	Fieldwork
2024-25	Communication & Engagement Plan with respect to Cybersecurity	Fieldwork
2024-25	Car parking income	Planning
2024-25	Modern Slavery	Fieldwork
2024-25	Complex safeguarding including missing children	Planning (scheduled for Q3)
2024-25	School absence management & exclusions	Planning (scheduled for Q3)
2024-25	ASC – VFM Commissioning	Fieldwork

APPENDIX B

OUTCOMES FROM FINAL AUDIT REPORTS

(Schools are reported in Appendix C)

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
Reconciliation of Payroll Control Accounts	Limited	High	6	<p>Our review found that a timetable for reconciling payroll control accounts is in place, supplemented by nominated staff allocated to specific control accounts. We did identify issues with how transactions on the control accounts are considered and the relative inexperience of some nominated staff tasked to undertake the reconciliation process. There are limited skills and knowledge within the payroll team to resolve historic, operational or system errors that are posted to the control accounts. The Finance team are currently working on the historic unreconciled items.</p> <p>It has been agreed that a working group will be set up to review and address the current control weaknesses, taking into account audits recommendations</p>
		Medium	1	
		Low	0	
Gifts, hospitality & register of interests	Moderate	High	0	<p>Our review confirmed that adequate guidance and procedures for accepting gifts, hospitality and declaring conflict of interests are in place for members and staff although we have made a minor recommendation about providing additional detail in separate procedural guidance. This is complemented by training for newly-elected members but we found no induction training on this for officers.</p> <p>We found arrangements for members to be robust around regular notifications about their responsibilities, a centralised electronic recording system for the recording of gifts, hospitalities and interests and actively declaring outside interests at committee meetings. There are no corresponding arrangements in place for officers, where we found from our testing that existing systems were less efficient, and were not applied consistently, due to a long-standing lack of clarity about the rules, and about the responsibility for overseeing declarations.</p> <p>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, rather than the existing system.</p>
		Medium	1	
		Low	5	

APPENDIX B

Review	Overall Opinion	Analysis of Recommendations	Summary of Findings								
Cybersecurity risks at schools	Moderate	<table border="0"> <tr> <td>High</td> <td>2</td> </tr> <tr> <td>Medium</td> <td>2</td> </tr> <tr> <td>Low</td> <td>1</td> </tr> <tr> <td colspan="2">Checklist issued to all schools via SLA online</td> </tr> </table>	High	2	Medium	2	Low	1	Checklist issued to all schools via SLA online		<p>We surveyed all schools across the borough, encompassing both those who use the Council’s AVA services and those who procure their IT services from a third-party provider were surveyed. A total of 31% provided responses.</p> <p>Many schools were unable to answer the majority of the technical questions, and awareness of IT security controls in place at the schools appeared to be low.</p> <p>Our site visits at five schools however confirmed:-</p> <ul style="list-style-type: none"> • Key security measures were in place for IT services provided by both the Council’s AVA provision and by third-party providers. • Some form of scanning for vulnerabilities was in place. • No major concerns raised around the servers, but some risks identified around tidiness and physical security. <p>The survey revealed that training and awareness of staff and how involved the Governing Body is in promoting IT and cybersecurity differed throughout the schools. However policies covering IT and data protection are in place with formal procedures in place with regards to handling and reporting data breaches. The vast majority of schools have a documented Business Continuity Plan (BCP) outlining procedures in the event of IT systems being unavailable, but only 4% of BCPs have been fully tested.</p> <p>We found some issues around schools using third party providers, as set out below</p> <ul style="list-style-type: none"> • differing levels of security seen from the third-party providers around the length of backups that are held before being wiped and data protection mechanisms also differed between schools. • Discretion given to school technicians by one provider to decide which provider to safely dispose of obsolete IT equipment and it was subsequently identified that one company used was not accredited. No schools undertook any checks on asset disposal companies that private provider were using • Survey results appear to show that third party due diligence is not being performed consistently across the schools
High	2										
Medium	2										
Low	1										
Checklist issued to all schools via SLA online											

APPENDIX B

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
Recruitment and retention	Moderate	High	3	<p>Overall, we found the recruitment function of Stockport Council is robust and well-supported. Procedures and guidance around recruitment are up to date and made available to all staff and the service is currently updating its online training following the issue of new procedures and guidance.</p> <p>A plan is in place which sets out how the success of the plan to recruit and retain people is measured and the service has made positive changes to methods of advertising job vacancies which has led to an increase in, and improved quality of, applications. However the indicators contained within the People Plan do not appear to be regularly tracked and reported upon. The ability to analyse and report upon data was hindered by the limited capability of the existing Applicant Tracking System (ATS). The service has recently re-rendered for a new ATS and going forward should be in a better position to improve its response through improved data and reporting, which will allow it to better understand and react to its challenges.</p>
Third party ICT Supplier management	Moderate	High	1	<p>We confirmed that business relationship managers provide support to services by managing the relationship with ICT providers for high risk and large systems. Satisfactory arrangements are in place for complying with CPRs when procuring IT systems. However we found due to the difficulties in the general market for specialised systems and associated cost constraints, most contracts ended up being awarded on a direct award basis.</p> <p>The Technical Architecture Group (TAG) takes the lead to ensure all the necessary due diligence checks are undertaken when new systems are procured, but not all services are fully aware of these processes. There are gaps in the TAG's overall assurance that all systems procured and used within the Council have been checked by the TAG. We observed a certain level of due diligence being applied upon selection of suppliers, however there are a number of areas where it does not appear robust. In particular, the focus of due diligence is at the procurement stage, but there are no formal continuous monitoring arrangements during the lifecycle of the contract.</p> <p>Our review of third party access to systems situated in the Council's data centre is controlled through Fresh service desk, with multi-factor third party authentication in place.</p> <p>There are a small number of systems that are hosted off site in the cloud, and we have been advised that it may be likely that over the next few years, more systems will be</p>
		Medium	4	
		Low	0	

APPENDIX B

Review	Overall Opinion	Analysis of Recommendations		Summary of Findings
				hosted off site in the cloud. This means it is important that due diligence procedures over cloud hosted suppliers should be reviewed to ensure these are robust for the increasing and emerging risks of the future.
HRA Capital	Moderate	High 0 Medium 4 Low 0		We have confirmed appropriate organisational and management structures are in place to manage the HRA Capital programme works. Adequate project management procedures including financial appraisals and cashflow monitoring procedures are in place. Payments are made upon receipt of valuation certificates in the main, although we did identify one prepayment invoice in advance of works carried out by an internal company. However, we further highlighted no capitalisation policy and no clear documented guidance to determine capital versus revenue spend. We also found a lack of transparency over the amount of overheads charged to the capital programme.
Emergency planning, civil resilience and business continuity	Moderate	High 0 Medium 1 Low 0		The review confirmed the Council has broadly sound arrangements for managing civil emergencies and that there are arrangements for aligning Stockport and GM level planning with national threat scenarios. Likewise, there is a robust system for business continuity planning. We have raised one recommendation that plans should be subject to ongoing testing and that any recent tests (including the recent LGA facilitated cyber attack workshop) are fully followed up and any learning incorporated in future planning.

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 2024.

Year	School	Status	Opinion
2023-24	Banks Lane Junior school	Completed	Limited
2023-24	Oak Tree Primary	Completed	Moderate
2023-24	Didsbury Road Primary	Completed	Moderate
2023-24	Torkington Primary	Completed	Moderate
2023-24	St Johns Primary	Draft report to issue	-

AUDIT OF ACADEMIES

Academic Year	Academy	Status / Outcome
2023-24	Hursthead Junior School (The Kirkstead Education Trust)	Spring term report completed Summer term draft report issued
2023-24	Mellor Primary School (The Honeycomb Trust)	Autumn term report completed Spring & summer term combined visit undertaken in June

OTHER WORK

Type of Other Work	Status / Outcome
Ad-hoc advice	Supported staff with planned procedures for fundraising ensuring accountability and robust financial records
Ad-hoc advice	Independent review of procedural guidance on use of prepaid cards and provided advice on security risks
Ad-hoc advice	Provided advice on security risks around banking app on the phone as opposed to separate security device supplied by the bank
Ad-hoc advice	Independent review of proposed procedures for recording donations as part of a Poverty Proofing programme and provided advice on ringfencing procedures.
Certification	Brookfield Park Shiers statement of accounts opinion issued
Certification	SGO return