

AUDIT COMMITTEE

MONDAY 22 MARCH 2021
5.00 PM

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

VENUE: [Peterborough City Council Youtube Page](#)

AGENDA

Page No

1. Apologies for Absence
2. Declarations of Interest

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests or is a "pending notification " that has been disclosed to the Head of Legal Services.

3. Minutes of the Meeting Held on
 - 3.1 25 January 2021 3 - 10
 - 3.2 24 February 2021 11 - 12
4. Annual Audit Committee Report 13 - 28
5. Internal Audit Plan 2021/22 29 - 70
6. Investigating Allegations of Fraud 71 - 88
7. Use of Regulation of Investigatory Powers Act 2000 (RIPA) 89 - 94

INFORMATION AND OTHER ITEMS

8. Approved Write-Offs Exceeding £10,000

There have been no approved write-offs since the last meeting on January 25 2021.

9. Work Programme 2021/22

95 - 102

Recording of Council Meetings: Any member of the public may film, audio-record, take photographs and use social media to report the proceedings of any meeting that is open to the public. Audio-recordings of meetings may be published on the Council's website. A protocol on this facility is available at:

<http://democracy.peterborough.gov.uk/ecSDDisplay.aspx?NAME=Protocol%20on%20the%20use%20of%20Recording&ID=690&RPID=2625610&sch=doc&cat=13385&path=13385>

Committee Members:

Councillors: D Over (Chairman), A Shaheed, Warren, Joseph, Coles, Jones and D Fower

Substitutes: Councillors: Lillis, Burbage, Iqbal and Nawaz

Further information about this meeting can be obtained from Daniel Kalley on telephone 01733 296334 or by email – daniel.kalley@peterborough.gov.uk



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 5:00PM, ON
MONDAY, 25 JANUARY 2021
VIA ZOOM CONFERENCE**

Present: Councillors Over (Chairman), Coles, Jones, Joseph, Shaheed and Warren.

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Steve Crabtree, Chief Internal Auditor
Fiona McMillan, Director of Law & Governance and Monitoring Officer
Kirsty Nutton, Head of Corporate Finance and Deputy S151 Officer

Also in

Attendance: Dan Cooke, Audit Manager (EY)
Neil Harris, Associate Partner, Ernst & Young (EY)
Cllr Seaton, Cabinet Member for Finance

36. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Fower.

37. DECLARATIONS OF INTEREST

There were no declarations of interest received.

38. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 16 NOVEMBER 2020

The minutes of the meeting held on 16 November 2020 were agreed as a true and accurate record.

39. AUDIT OF STATEMENT OF ACCOUNTS TO THOSE CHARGED WITH GOVERNANCE (ISA260)

The Audit Committee received a report in relation to the Audit Statement of Accounts to those charged with Governance (ISA260).

The purpose of the report was for the Committee to receive an update on the progress of the External Audit by EY LLP of the Council's 2019/20 Statement of Accounts. The report confirmed that the results of the External Audit was to follow in a supplementary report to this meeting and to provide delegated authorisation to the Director of

Corporate Resources and chairman to formally sign off the final Statement of Accounts following final EY audit actions.

The Head of Corporate Finance and Deputy S151 Officer introduced the report and outlined that this was an update to the Statement of Accounts for 2019/20. Members were informed that it was expected that the accounts were due to be signed off by the 30 November 2020, however it was noted that there were area of work outstanding but there were no areas of concern regarding these. The external auditors raised some further areas of concern following the last meeting on one area of the Council's balance sheet in regards to the loan to Empower. Following this there was some further work that needed to be completed. Members were reminded that a further update was circulated from Ernst & Young for discussion at the meeting.

The Associate Partner Ernst & Young stated that when the report was brought to Committee in November there were still some areas of work that needed to be finalised. Following this there were some areas of review that needed to be carried out. Members were informed that in the audit results report in November there was at that time a draft audit report including a draft section that stated it needed to be updated following the professional practice consultation on the Council's going concern disclosure along with the impact on the audit report. Members were directed to appendix A which set out the consultation findings. There was still material uncertainty with regards to the Council's going concern, however this was in line with the Council's disclosure position.

The Committee were informed of the work done around the Council's value for money position, which looked at the Council's arrangements in securing efficiency of economy and resources for the year ended 31 March 2020. The wording for the value for money conclusion set out the position of the Council's financial resilience. There was one section in the audit report, that in all respects the external auditors were not satisfied with and that arrangements needed to be put in place. Members were directed to the text in the appendix above the adverse finding, where the external auditors had made it clear that the Council had acted appropriately in the circumstances in relation to the challenges that it was facing. The external auditors commented that the adverse value for money finding had to be highlighted as although the Council had been open and transparent the Council had still found itself in a difficult situation.

Members were informed that there were concerns over the recoverability of one of the Council's short term debtors, that being Empower to the sum of £23.4 million. Questions were asked of the audit team as to the work that had been performed to audit this particular debtor. The loan had been running since the 2014/15 financial year and was originally a construction loan for over 7000 solar panels. Following further investigation of the loan and discussions with the Council's finance team the loan had been renegotiated and been put onto a long term loan facility with Empower which had been agreed in October 2020. This had led to further considerations of the 2019/20 financial statements, namely whether that event was now a post balance sheet event, which the external auditors believed it was and secondly whether this was an adjusting event. The external auditors still had some questions in relation to the second point which were in the process of being resolved. Furthermore the external auditors questioned whether this needed to be classified as a further impairment in relation to the recoverability of the loan. Information provided to the external auditors included the loan heads of terms, the financial model supporting the loan, the relevant decision making papers, legal and financial advice sought by the Council around its options, for example whether it was possible to sell off the loan or the renegotiation of the loan,

which was what the Council had ultimately decided to follow. Corporate finance members of EY were looking into the loan in more detail, with specific expertise in solar panel finance and were due to report back shortly. Furthermore a financial expert was looking into the detail of the loan to see whether there needed to be any recognition within the financial statements for the profile of the loan for an expected credit loss and whether there needed to be an impairment adjustment in the accounts.

The Corporate Director Resources confirmed that the Council were still looking for potential buyers of the Empower loan, however in order to keep the account up to date the Council decided to move the loan into a longer term of 15 years.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- With regards to the selling of the loan there were a number of factors. At the current time there were 7,700 solar panels installed on social housing across the Country. All the homeowners received free electricity from the panels. The contract in place had feeding tariffs for the next 15 years and there was a net worth in this to potential buyers. Although the technology used was a few years old it was possible to add to the technology. It could also be used as a trading mechanism when everyone needed to have electricity meters installed.
- Global Towers were interested in buying the loan due to them owning a number of social houses and being able to adapt the solar panels and providing more digital services for people in social housing.
- In relation to the loan agreement with Empower they are currently paying both the capital and interest back and therefore the Council was making a small return on this investment.
- The original decision to grant the loan was made back in 2014/15, subsequent reports had since been taken with the location of the solar panels.
- Operationally around 50% of local authorities that EY had dealt with were not in a position to get a qualified opinion by the 30 November 2020 deadline. This showed a pervasive issue across local government and this had been exacerbated with the Covid-19 pandemic. In addition there were other local authorities that had long term loans similar to that of Empower. Members were informed that the auditors viewed industries such as solar panels as fairly resilient in light of the pandemic.

The Audit Committee considered and **RESOLVED** (unanimously) to:

1. Note the 2019/20 External Audit of the Council's Statements of Accounts update from EY and next steps.
2. Following this update to re-delegate to the Chairman to approve final changes to formally sign off the final Statement of Accounts following final EY audit actions

40. INTERNAL AUDIT PLAN 2021 / 2022: APPROACH AND EMERGING THEMES

The Audit Committee received a report in relation to the internal audit plan 2021/22 approach and emerging themes.

The Chief Internal Auditor introduced the report and commented that the report set out the internal audit team's initial thoughts and proposals for the future audit plan 2021/22. The report provided over-arching themes which had come from risk registers across the Council and ongoing discussions with departmental managers. The report outlined key themes and members were invited to raise areas that they felt the audit team should investigate further.

The areas outlined in the report included financial governance, which was to look at the key financial systems in place. It was not possible to look at all systems in one year the team would look at particular elements on a rolling basis and report on those. One of the biggest issues in future was in relation to Covid-19 and the additional spend that was taking place around this. In relation to Information Governance, IT systems and data quality were areas of focus, along with cyber security. With the Serco contract having been terminated the team were looking at ways of auditing ICT across both Peterborough and Cambridgeshire County now that it was running in-house.

In terms of Corporate Governance the team were focussing attention on the risk registers of which a regular update is presented to Audit Committee. In addition, separate areas are business continuity and tackling fraud. This was alongside the National Fraud Initiative.

The Council had a number of other service areas, such as Aragon and the City College, which had taken on aspects of Vivacity. In relation to contracts and procurement these were still ongoing and would be decided on key projects in year.

In terms of the People aspect of the Council there had been a need for increased agile working brought about by Covid-19 and was an area that was to be covered.

Members were informed that audits of grant payments were still ongoing and the number of grants had increased since the start of the pandemic.

A more detailed audit plan was to be presented to members at the next meeting once full consultation and risk scoring had taken place. It was important to note that although the plan was to be presented in a final format there was still the distinct possibility that other risks would arise during the year which would need investigation.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- Covid-19 had completely changed the previous plan that was put in place. The team would look to cover as many areas as possible, however Covid-19 remained the main area of focus. Maintaining business as usual was paramount to the running of the Council and delivering to residents so key processes should also be covered.
- In regards to resources there was a reduction due to one member of staff leaving the authority and a further member working within the Covid-19

coordination hub. There were plans to get assistance in the short-term prior to discussions with the view to look long-term at the staffing levels.

- There had been checks carried out prior to business grant payments by transactional services. This meant the need to collect data in relation to the different businesses across Peterborough. Once the payments had been made, as part of the National Fraud Initiative, Audit collated this information and submitted it for comparison with national records such as Companies House. This was to ensure the business was still submitting statements of accounts and were still a live business. At the current time the team were working through those records to identify any businesses that may have claimed illegally. Should this be the case, then steps would be to look to recover. Members were informed that the Council were not yet at the recovery stage of those grants.
- The team were not currently firefighting in terms of workload, there was a plan in place and business as usual areas were still be covered which was important in the workings of the Council and to its residents.
- The audit team were picking up on the work of IT moving back in-house. A board was in place to monitor delivery of those services and a record kept of the assets the Council held in terms of IT equipment.
- Members were informed the Council had a gross turnover of around £400 million and a net turnover of around £150 million. Two of the biggest grants were housing benefit and dedicated schools grants (DSG), which needed to be checked thoroughly. In the current financial year an additional £120 million had been received in grants, of which around £40 million were for the hospitality and retail sector. Members were informed around £40 million in grants had also been received due to the non-payment of business rates. In addition a further £40 million in grant funding had been allocated to the Council from government departments to ensure the Council was funded due to the pressures of Covid-19.
- The external auditors had not yet seen any guidance from government departments on whether there was to be an expectation on external auditors to issue some form of certification over the large number of grants been allocated. There was a possibility that it could revert to Internal Audit to cover. There was also a question over financial reporting of these grants, the Council would be recognising a material income stream from this financial year and relevant accounting standards would need to be applied over how these were recognised in the financial statements.

The Audit Committee considered the report on the Internal Audit Plan 2021/22 and **RESOLVED** (unanimously) to note the report.

42. USE OF CONSULTANTS – UPDATE REPORT

The Audit Committee received a report into the use of consultants and agency workers.

The purpose of the report was to provide an update on the use of consultants and agency staff.

The Corporate Director Resources explained the content of the report to the committee and that this was a regular report presented to members. For the first nine months of the current financial year the Council had spent £1.2 million on consultants and was

projected to hit around £2 million for the whole year. This was significantly less than in previous years. In terms of agency spend the first nine months was £2.4 million and was projected to hit around £3.5 million, which was also significantly lower than previous years. There was always a need for some consultant expertise, however people were now looking for more permanent positions and the benefits that brought.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- Moving forward the Council was optimistic that it would be able to stabilise the consultant spend and not raise this to previous levels. One of the important factors was how the Council moved forward after the pandemic was over.
- One of the key aspects was more people working from home and it was anticipated that working arrangements would not return to how they were previously.

The Audit Committee considered the update report on the use of consultants for the first nine months of 2020/21 and **RESOLVED** (unanimous) to note the report.

43. USE OF REGULATION OF INVESTIGATION POWERS ACT 2000 (RIPA)

There were no RIPA authorisations in this quarter, however the Director of Law and Governance confirmed that there was to be a remote review of the Council's compliance and use of RIPA on the 25 February 2021.

44. APPROVED WRITE-OFFS EXCEEDING £10,000

The Audit Committee received a report in relation to approved write-offs exceeding £10,000.

The Corporate Director Resources introduced the report and confirmed that it was difficult to bring a report to an earlier committee as the courts had been closed and had impacted on the Council's ability to collect debt. The debts in the report had exhausted all avenues and the Council was looking to write off £116,000 which had been provisioned for across a number of areas.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- Improvements had been made in terms of recovering the debts, however there were instances where there were no more alternative methods in doing so.
- Members were informed that the processes to collect debts, including those from the CCG had improved.

The Audit Committee considered the update report on the approved write-offs exceeding £10,000 and **RESOLVED** (unanimous) to note the report

45. FEEDBACK REPORT

The Audit Committee received a report in relation actions from the previous meeting.

The purpose of the report was to provide feedback on items considered or questions asked at previous meetings of the Committee. It also provided an update on any specific matters which are of interest to the Committee or where Committee have asked to be kept informed of progress.

The Audit Committee considered the report and **RESOLVED** (unanimous) to note the report.

46. WORK PROGRAMME

The Audit Committee received a report in relation to the work programme for 2020/2021.

The report was introduced by the Senior Democratic Services Officer who advised that the format followed a similar process to previous years and further items could be added to the programme at the Members discretion.

The Corporate Director Resources added that the work programme for the following municipal year needed to be looked at and there may be times when items needed to shift.

In addition a report on the review of the Council's compliance with RIPA would be brought to the next meeting if ready.

The Audit Committee considered and **RESOLVED** (unanimously) to note the report.

Chairman
Virtual Meeting
5:00 – 6.05pm

This page is intentionally left blank



**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD AT 5:00PM, ON
WEDNESDAY, 24 FEBRUARY 2021
VIA ZOOM CONFERENCE**

Present: Councillors Over (Chairman), Coles, Jones, Joseph, Shaheed and Warren.

Officers in

Attendance: Peter Carpenter, Corporate Director of Resources
Dan Kalley, Senior Democratic Services Officer
Fiona Leverton, Senior Accountant Resources

Also in

Attendance: Cllr Seaton, Cabinet Member for Finance

47. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Fower.

48. DECLARATIONS OF INTEREST

There were no declarations of interest received.

49. 2021/22 DRAFT TREASURY MANAGEMENT STRATEGY

The Audit Committee received a report in relation to the 2021/22 Draft Treasury Management Report.

The purpose of the report was for the Committee to approve the policies and Prudential Indicators in line with the consultation timelines for the Medium Term Financial Strategy (MTFS).

The Corporate Director Resources introduced the report and commented that the Treasury Management Strategy outlined the prudential indicators for capital investment. Prudential indicators were produced as part of the MTFS to ensure that investment plans were affordable and any external borrowing was prudent and affordable. The Council continued to operate a restricted lending list due to the continued economic uncertainty. Surplus cash was only invested with Barclays, Bank of Scotland, churches, charities and other local authorities. The Council continued to borrow to fund the capital programme and loans had been arranged to achieve the best possible outcomes for the Council. The main changes from the previous prudential indicators related to a new accounting standard in relation to leases. Members were informed that the government had taken 1% off the interest for borrowing on public loans. It was put up to penalise local authorities who had invested

significant funds for yield. The Corporate Director was responsible for signing off every year that there had been investment for yield.

The Audit Committee debated the report and in summary, key points raised and responses to questions included:

- Members expressed their thanks to officers for the clarity of the report and the information contained within the report. The area that local authorities would be watching with most interest was around interest rates both in terms of borrowing and lending.
- There was no real impact on the Council in terms of the new accounting standard, it was a technical adjustment.

The Audit Committee considered and **RESOLVED** (unanimously) to review and comment on the draft 2021/22 Treasury Management Strategy (TMS) before it is approved as part of the Medium Term Financial Strategy (MTFS) at Full Council in March 2021

Chairman
Virtual Meeting
5:00 – 5.12pm

AUDIT COMMITTEE	AGENDA ITEM No. 4
22 MARCH 2021	PUBLIC REPORT

Report of:	Fiona McMillan, Director of Law and Governance and Monitoring Officer	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296334

ANNUAL AUDIT COMMITTEE REPORT

R E C O M M E N D A T I O N S	
FROM: Fiona McMillan, Director Law and Governance and Monitoring Officer	Deadline date: N/A
It is recommended that Audit Committee approve the draft Annual Audit Committee Report for submission to Council as shown in Appendix 1 .	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee in line with the agreed Work Programme for the Municipal Year 2020 / 2021.

2. PURPOSE AND REASON FOR REPORT

2.1 The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide ranging remit that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework. These are shown in its terms of reference.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.15

To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
---	-----------	----------------------------------	--

4. BACKGROUND AND KEY ISSUES

4.1 The attached Draft Annual Report has been produced (**Appendix 1**). The report shows:

- Background to the Committee, its roles, responsibilities and membership;
- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate

Governance, and Fraud and Irregularities; and

- Training provided to ensure that suitable challenge and scrutiny is adopted.

4.2 During the year the Audit Committee have continued to have pre-meetings a week prior to the main meeting. This has given members the opportunity to understand better the audit process of the Council and is a feature that will continue.

4.3 Due to the ongoing pandemic the Audit Committee has continued to carry out its functions via zoom.

5. CONSULTATION

5.1 None required

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Publication of the report will enable the public to gain an insight into the role of the Committee and will ensure that the Committee can continue to progress and develop in the future. The City Council continues to evolve its Audit Committee in line with best practice to provide effective challenge to the governance arrangements adopted.

6.2 Subject to approval by Audit Committee, it is intended to present the report to Council for noting as part of the Committee's annual update in order to demonstrate the work carried out to improve the governance arrangements across the Council.

7. REASON FOR THE RECOMMENDATION

7.1 To seek endorsement from Members that the Committee is delivering against its terms of reference and provided effective challenge to the organisation

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 None

9. IMPLICATIONS

Financial Implications

9.1 None.

Legal Implications

9.2 None

Equalities Implications

9.3 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 The Councils Constitution

Chartered Institute of Public Finance and Accountancy (CIPFA)

11. APPENDICES

This page is intentionally left blank

**ANNUAL REPORT FROM
THE CHAIRMAN OF AUDIT COMMITTEE
2020 / 2021**

Assurance

Governance

Accountability

Risk Management

Independence

AUDIT COMMITTEE: ANNUAL REPORT 2020 / 2021

INTRODUCTION

MEMBERSHIP AND MEETINGS

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

PLANS FOR 2021 / 2022

DRAFT

FOREWORD FROM THE CHAIRMAN OF AUDIT COMMITTEE

I am pleased to provide the Audit Committee's Annual Report for the municipal year 2020 / 2021. The Council is requested to note the work carried out by the Audit Committee in improving the governance arrangements across the Council.

The report shows how the Audit Committee has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti-fraud; external audit; and financial reporting.

I would like to take this opportunity to give thanks to Committee Members and Officers for their contribution in supporting the Audit Committee's work during the year and my role as Chairman. Audit Committee Members have supported and challenged officers to ensure our risk, control and governance processes are effective and transparent. Officers have presented well-prepared reports and taken on suggestions to make sure the benefits of this Committee are passed onto our citizens.

This year has been unlike any other in recent times. The ability of all our Council officers to ensure that services are continually delivered for the communities we serve shows the strength of the Council as a whole. I have welcomed the Audit Committee's continued support for officers and look forward to the work being carried out over the next 12 months.

Going forward, 2021 / 2022 will continue to a testing time for all Councils with the resources available becoming more important. How we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud. The Audit Committee holds a unique position to challenge and scrutinise the activities of the Council, with the support of Officers and my fellow Councillors, long may this continue.

INTRODUCTION

This is the 13th annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice¹ and shows that the Council is committed to working as an exemplary organisation, operating the highest standards of governance. This report demonstrates how the Audit Committee has successfully fulfilled its terms of reference and has endeavoured to improve the Council's governance and control environments.

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weakens the control environment, and to oversee the financial reporting process.

The key benefits of an Audit Committee can be seen as:

- Raising greater awareness of the need for internal control and the implementation of both internal and external audit recommendations;
- Increasing public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of internal and external audit and similar review processes; and
- Providing additional assurance through a process of independent and objective review.

The Terms of Reference for the Audit Committee can be found at **Annex A** of this report.

¹ Best practice as contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) document "A Toolkit for Local Authority Audit Committees"

This report sets out the work undertaken by the Audit Committee for 2020 / 2021 and specifically highlights those areas where its scrutiny and review process has made a difference to performance. The Audit Committee has overseen good progress in all areas under its supervision.

The Audit Committee continues to hold briefing sessions the week prior to the meeting for Members to better understand the role of the Audit Committee. It has been a testament to all committee members that the Audit Committee has successfully continued to challenge and hold officers to account via a virtual platform during the Covid-19 pandemic.

In the forthcoming year I hope that training for Members continues to be a focus, enabling the committee members to best effectively scrutinise the functions of the Council's audit processes.

MEMBERSHIP AND MEETINGS

During 2020 / 2021, the Audit Committee met on the following dates:

- 13 July 2020
- 14 September 2020
- 16 November 2020
- 25 January 2021
- 24 February 2021 – Extraordinary meeting
- 22 March 2021

There is a cross representation of all parties in accordance with the make-up of the Council. The members for 2019 / 2020 were (excluding substitutes):

Table 1: Audit Committee Membership 2020 / 2021 as at 22 March 2021:

Conservative	Liberal Democrats	Labour
Over (Chair) Coles (Vice Chair) Warren	Shaheed	Fower Jones Joseph

Senior officers from the Council are also present, including the Director of Law and Governance, Corporate Director Resources, Head of Corporate Finance and Deputy S151 Officer and Chief Internal Auditor. Dependent on the subject matter on the agendas, other officers will attend in addition to external representation from the Councils' External Auditors.

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

Background

The Audit Committee's terms of reference covers 6 main areas:

- Internal Audit
- Internal Control and Corporate Governance
- Annual Accounts
- Risk management
- External Audit
- Counter Fraud and Irregularities

Internal Audit

2.2.2 Terms of Reference

- 2.2.2.1** To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- 2.2.2.2** To consider summaries of specific internal audit reports as requested.
- 2.2.2.3** To consider reports dealing with the management and performance of the providers of internal audit services.
- 2.2.2.4** To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
- 2.2.2.9** To commission work from internal and external audit.
- 2.2.2.17** To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

13 July 2020

- *Annual Audit Opinion.* Internal Audit produces an Annual Audit Plan which forms the basis of their audit activity. Progress is noted throughout the year and an independent annual report is produced highlighting assurances obtained across the organisation as well as any misgivings into the effectiveness of controls. The report also sets out the teams' performance. Where standards have not been maintained across the Council, Audit Committee are provided with Executive Summaries of Audit reports for further scrutiny. Internal Audit concluded that they were able to provide reasonable assurance based on the work reviewed in the year.
- *Review of Committee effectiveness* – The Audit Committee reviewed its effectiveness over the past 12 months and the key areas that the Committee focused on.
- *Internal Audit Plan 2020/21* – The Audit Committee reviewed the routine planned report on the development of the role and service delivery of Internal Audit and investigations.

16 November 2020

- *Internal Audit Mid-Year Opinion.* The Audit Committee received a half year progress report highlighting internal audit performance against targets and quality assurance results to enable it to review and comment on the work and performance of internal audit. Any areas reviewed which are considered to be weak or requiring attention following Internal Audit activity can result in officers from across the Council being held to account.

25 January 2021

- *Internal Audit Plan 2020/21 Planning Approach and emerging themes.* The Audit Committee noted the proposed work for internal audit in 2020/21

Internal Control and Corporate Governance

2.2.1 Terms of Reference

- 2.2.2.1** To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- 2.2.2.5** To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Regulatory Framework
- 2.2.2.12** To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee
- 2.2.2.13** To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 2.2.2.17** To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

13 July 2020

- *Annual Governance Statement.* The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise, but represents a corporate overview of the processes and procedures adopted by Peterborough to manage its affairs.
- Audit Committee reviewed the Annual Governance Statement on 15 July 2019. The Committee agreed to the final report and this was signed off within the legal timeframes.
- *Financial Controls* – The Audit Committee were updated on the progress to date achieved by PCC in implementing the range of recommendations made by Grant Thornton following their review of financial controls and procedures. Grant Thornton compiled their report following a survey of practices within PCC and put forward a range of proposals grouped into 20 key areas designed to ensure that PCC are following best practice. PCC then constituted a Financial Controls Board to oversee the implementation of the review

14 September 2020

- *Use of Consultants.* Following the review of consultants used by the Council in 2010 it was recommended and agreed that Audit Committee would monitor progress. The Committee received an update in September 2019.
- *Decisions made by Shareholder Cabinet* – The Audit Committee received a report on the decisions made by the Shareholder Cabinet report in the past 12 months.

16 November 2020

- *Treasury Management Mid Year Update.* The Committee received an update on the Treasury Management Strategy. The report updated members on the prudential indicators that the Council adhere to when setting the Treasury Management Strategy.

- *Use of Consultants.* Following the review of consultants used by the Council in 2010 it was recommended and agreed that Audit Committee would monitor progress. The Committee received an update in November 2020.

25 January 2021

- *Use of Consultants.* Following the review of consultants used by the Council in 2010 it was recommended and agreed that Audit Committee would monitor progress. The Committee received an update in January 2020.
- *Debt write-offs exceeding £10,000* – The Audit Committee received a report outlining the debt over £10,000 that the Council had to write-off.

24 February 2021 – Extraordinary meeting

- *2020/21 Treasury Management Strategy.* The Audit Committee received the Treasury Management Strategy that was to be presented to Full Council in March 2020. The Audit Committee noted and approved the strategy.

Annual Accounts

2.2.2 Terms of Reference

Accounts

- 2.2.2.18** To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.2.19** To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

13 July 2020

- *Budget Monitoring Report Final Outturn 2019/20.* The report provides the Audit Committee with the outturn position for both the revenue budget and capital programme for 2019/20. The Committee also noted performance on payment of creditors and collection performance from debtors.
- *Draft Statement of Accounts to those charged with Governance (ISA260).* The Committee considered the robustness of financial processes and the financial standing of an organisation. The Council achieved this through the publication of the draft Statement of Accounts ahead of the statutory deadline, and also through the completion of a successful external audit process.

16 November 2020

- *Annual Audit Results Report.* The Audit Committee received a report from the external auditors on the results of the audit for the year 2019/20. The Committee also received the audited accounts up to 31 March 2020.

25 January 2021

- *Audited Statement of Accounts to those charged with Governance (ISA260).* The Committee received

an update on the audited statement of accounts from the external auditors and agreed to delegate to the Chair and S151 Officer to sign off the accounts once finally complete.

Risk Management

2.2.1 Terms of Reference

Regulatory Framework

2.2.1.13 To monitor the effective development and operation of risk management and corporate governance in the council.

13 July 2020

- *Risk Management Report. Audit Committee received a report of the strategic risks impact on the Council and the mitigating actions to address these.*

14 September 2020

- *Insurance Service and Insurance Fund Annual Report 2018/19. The Audit Committee received a report presenting the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.*

External Audit

2.2.2 Terms of Reference

2.2.2.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

2.2.2.6 To consider specific reports as agreed with the external auditor.

2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.

2.2.2.8 To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.

2.2.2.9 To commission work from internal and external audit.

The External auditors have contributed to a number of items presented to committee as detailed in this report.

Counter Fraud & Irregularities

2.2.2 Terms of Reference

Regulatory Framework

2.2.2.14 To monitor the effective development and operation of risk management and corporate

governance in the council.

14 September 2020

- *Fraud and Investigations Team Annual Report.* Audit Committee received an annual report highlighting counter fraud and irregularity work over the previous year. The Committee's review of the work and performance of the counter fraud team showed strong support and interest and requested to be provided with regular updates in terms of team resources.

FUTURE DEVELOPMENTS AND PLANS FOR 2021 / 2022

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2021 / 2022 and this will involve:

- Continuing to drive up standards of corporate governance;
- Continuing to equip existing and any new Members to fulfil the Audit Committee's responsibilities by providing or facilitating training on all aspects of the Audit Committee's remit;
- Assisting and supporting officers to promote the work of the Audit Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts;
- Increase training for members of the Audit Committee, ensuring members are best placed to scrutinise effectively the work of the Council and it's audit functions;
- Helping to further increase awareness within the Council of its governance arrangements, with particular emphasis on information and tackling fraud and corruption; and
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound.

2.2 AUDIT COMMITTEE: TERMS OF REFERENCE²

2.2.2 Terms of Reference

- 2.2.2.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
- 2.2.2.2 To consider summaries of specific internal audit reports as requested.
- 2.2.2.3 To consider reports dealing with the management and performance of the providers of internal audit services.
- 2.2.2.4 To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- 2.2.2.5 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 2.2.2.6 To consider specific reports as agreed with the external auditor.
- 2.2.2.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 2.2.2.8 To liaise with the Public Sector Audit Appointments Ltd (PSAA) over the appointment of the council's external auditor.
- 2.2.2.9 To commission work from internal and external audit.
- 2.2.2.10 To have oversight of the Regulation of Investigatory Powers policy and processes.
- 2.2.2.11 Authority to approve any changes regarding the Council's Whistle-Blowing policy and arrangements.
- 2.2.2.12 To consider reports in relation to the performance of the Council's companies, alongside comments from the Shareholder Cabinet Committee.

Regulatory Framework

- 2.2.2.13 To review any issue referred to it by the Chief Executive or a Director, or any Council body.
- 2.2.2.14 To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.2.15 To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.
- 2.2.2.16 To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.

² (Source: Constitution: Part 3, Delegations Section 2 - Regulatory Committee functions. Approved Annual Council)

2.2.2.17 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

Accounts

2.2.1.18 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

2.2.1.19 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

DRAFT

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 5
22 MARCH 2021	PUBLIC REPORT

Report of:	Peter Carpenter - Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Seaton - Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

INTERNAL AUDIT PLAN 2021/22

R E C O M M E N D A T I O N S	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Consider and agree to the Internal Audit Charter for 2021 / 2022 (Appendix A); 2. Consider and agree to the Internal Audit Code of Ethics 2021 / 2022 (Appendix B); and 3. Consider and approve the Internal Audit Strategy and Plans for 2021 / 2022 (Appendix C, D). 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the role and service delivery of Internal Audit and investigations.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to ensure that the Council reviews and agrees the audit activity for the next audit year.

2.2 This report is for Committee to consider under its Terms of Reference:

2.2.1.1 To consider the annual report and opinion of the Corporate Director Resources and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

2.2.1.3 To consider reports dealing with the management and performance of the providers of internal audit services.

2.2.1.15 To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
---	-----------	----------------------------------	-----

4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION.

4.1.1 The report explains the strategic approach for Internal Audit that will be adopted to continue to provide effective assurance to the risks facing the Council and the strategic approach to tackling fraud against the Council for the coming year. An ongoing focus for 2021 / 2022 will be the ways in which we can assist management to meet the new challenges they face through redesign of controls to ensure that key risks are managed with reduced resources, considering the effects of the pandemic and by providing appropriate challenge, support and assurance to key programmes and projects which are enabling transformation and efficiencies.

4.1.2 The remit and work of the section is documented in the Internal Audit Charter. The Charter is subject to an annual review by the Committee and is compiled in accordance with the Public Sector Internal Audit Standards and the CIPFA Code of Practice for Managing the Risk of Fraud and Corruption.

4.2 INTERNAL AUDIT CHARTER 2021 / 2022 (Appendix A)

4.2.1 The Charter sets out the purpose, objectives and scope of the activities of the service and has been developed to take account of the following requirements, which have previously been reported to the Audit Committee:

- The Public Sector Internal Audit Standards, which came into effect on 1 April 2013 (and revised in 2017); and
- The governance requirements set out in CIPFA Statement on the Role of the Head of Internal Audit in Local Government (2019 Edition).

4.2.2 The Charter has been compiled to ensure compliance with the Public Sector Internal Audit Standards (PSIAS). In summary, the PSIAS, which were agreed by a range of bodies including IIA and CIPFA, place the following requirements on public sector organisations' internal audit arrangements:

- (i) Compliance with the IIA Code of Ethics (and those of other professional bodies of which an auditor is a member, e.g. CIPFA). The IIA Code of Ethics sets out key principles and rules of conduct covering the following: Integrity; Objectivity; Confidentiality; and, Competency.
- (ii) Purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter which should:
 - define the terms "board" and "senior management" for the purposes of internal audit activity;
 - cover arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
- (iii) Independence and objectivity: the Chief Internal Auditor must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The Chief Internal Auditor must report functionally to the board. In practice this means that Audit Committee (as the Board) will be involved in:
 - approving the internal audit charter;
 - approving the risk based internal audit plan; and
 - making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.
- (iv) Proficiency and due professional care: audit engagements must be performed with proficiency and due professional care. Internal auditors must possess the knowledge skills and other competencies needed to perform their individual responsibilities. The

Chief Internal Auditor must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

- (v) Quality assurance and improvement programme: the Chief Internal Auditor should develop an improvement programme that covers all aspects of the internal audit activity. An external assessment should be conducted at least once every five years and progress against any improvement plans, agreed following external assessment, must be reported to senior management and to Audit Committee.

4.2.3 A sharing protocol with Cambridgeshire County Council has been developed to support the delivery of the plan where there is a vested interest in obtaining assurance where a shared service is in operation. It's aim is to avoid duplication and have the potential to use third party assurance where appropriate. The protocol forms part of the Audit Charter and further details can be found at Appendix 1 within the document.

4.3 **INTERNAL AUDIT CODE OF ETHICS (Appendix B)**

4.3.1 The Code of Ethics sets out the expected behaviours of Internal Audit staff in relation to service delivery. The basis of standards of conduct has been reviewed and remains unchanged with reference to those followed by Internal Audit in previous years. The Code of Ethics has been developed to mirror the obligations in this area as per the Public Sector Internal Audit Standards and is therefore considered to be in keeping with professional standards.

4.3.2 Aside from the Code of Ethics, the Chief Internal Auditor in the role of the Chief Audit Executive will also be cognisant of and comply with requirements laid down in CIPFA's Statement on the Role of the Head of Internal Audit. It is also further acknowledged that all Internal Audit staff will operate in accordance with their own professional bodies' Code of Ethics, as well as any organisational Codes of Ethics or Conduct relating to their employer.

4.4 **INTERNAL AUDIT STRATEGY 2021 / 2022 (Appendix C)**

4.1.1 The Internal Audit function will:

- Provide the Section 151 Officer and Audit Committee with an overall annual opinion on the Council's governance, risk and control arrangements, which also supports the Annual Governance Statement;
- Review the Council's governance, risk management and control processes through a risk-based annual work plan which is aligned to the Council's objectives, giving assurance on the Council's wider risk profile, not just financial controls, and on key emerging risks;
- Support the organisation through changes in structure, culture and operating models;
- Demonstrate the value of audit by working proactively with those responsible for transformation and efficiency activities, to avoid duplication of audit and assurance effort and provide assurance across governance arrangements;
- Drive improvement in risk management, controls and governance by making effective recommendations to management arising from our work and monitoring and reporting on implementation;
- Assist management to optimise the control environment through a better understanding of risks which potentially enables fewer but better controls to be put in place;
- Co-operate effectively with external auditors and other review bodies functioning in the council;
- Use technology to improve the efficiency of audit testing –using data analytics and continuous audit methodologies – to foster greater compliance with policies and procedures;
- Improve governance through strengthening of the challenge role of Audit Committee, promoting appropriate compliance and ethical behaviours, and extending assurance arrangements to partnerships

4.4.2 The strategic approach set out above is underpinned by the Internal Audit Strategy which is set out in Appendix C and is aligned with internal audit best practice.

4.5 INTERNAL AUDIT PLAN 2021 / 2022 (Appendix D)

4.5.1 At the January 2021 Audit Committee, Members were provided with details of emerging issues which Internal Audit were using to shape its Internal Audit Plans. This was produced following consultation with Directors and Heads of Service, reviews of strategic and operational risk registers, committee papers, budget proposals, strategies and plans. Since then, we have visited Departmental Management Teams to present draft plans for consideration.

4.5.2 The Plan for 2021/22 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. Assurances from other providers will be utilised where appropriate. The number of days available with a full establishment is 896, however the team currently holds a vacancy for a Senior Internal Auditor which is resulting in the current allocation of deliverable days as 706 as shown below. Consideration is being given to supplementing some resources with temporary staff subject to cost and availability to enable more reviews to be undertaken as indicated as the shaded area within Appendix D.

Internal Audit Work Activities	Full Establishment	%	Available Days	%
Corporate Governance	110	12	75	11
Financial Governance	195	22	135	19
Information Governance	45	5	30	4
Procurement and Contracts	60	7	60	9
Programmes and Projects	90	10	40	6
Service Delivery	100	11	70	10
Cyclical/Annual	112	13	112	16
Other Resource / Assurance Provisions	184	20	184	25
TOTAL RESOURCES ALLOCATED	896	100	706	100

5. CONSULTATION

5.1 Consultation during the drafting of the documents and plans has been through the Directors and their respective management teams. Further consultation was undertaken with Members of the Audit Committee at the previous meeting when the Emerging Audit Issues were discussed.

6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Internal Audit work schedules and resources will be set out for the 2021/ 2022 year.

7. REASON FOR THE RECOMMENDATION

7.1 Audit Committee have a role to oversee the effect delivery of audit resources to ensure that corporate governance arrangements across the Council are monitored, reviewed and are effective to delivering the Council agenda.

8. ALTERNATIVE OPTIONS CONSIDERED

8.1 There is a statutory duty for the S151 Officer to put in place appropriate arrangements for the provision of Internal Audit.

9. IMPLICATIONS

Financial Implications

9.1 This report does not give rise to any additional capital or revenue financial implications. Actions to communicate the policies and to ensure compliance will be undertaken within the existing budgets.

Legal Implications

9.2 None.

Equalities Implications

9.3 Not applicable.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

Council Risk Registers

Audit Committee Report: Emerging Issues (25 January 2021)

10.1 None

11. APPENDICES

11.1 A: Internal Audit Charter
B: Internal Audit Code of Ethics
C: Internal Audit Strategy
D: Internal Audit Plan

This page is intentionally left blank

PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT CHARTER

35

KEY CONTACTS		
Steve Crabtree	Chief Internal Auditor	☎ 384 557
Louise Cooke	Group Auditor	☎ 384 558
Julie Taylor	Group Auditor	☎ 384 559

March 2021

Next Review: By March 2022

1. INTRODUCTION

- 1.1 Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards (the PSIAS), which took effect from the 1 April 2013 and was revised in 2017, is based on the mandatory elements of the Institute of Internal Auditors (IIA) and International Professional Practices Framework (IPPF). It now provides a consolidated approach to promoting further improvement in the professionalism, quality, consistency, transparency and effectiveness of Internal Audit across the whole of the public sector.
- 1.2 The PSIAS require that all aspects of Internal Audit operations are acknowledged within an Audit Charter that defines the purpose, mission, authority and responsibilities of the service provision. The Charter therefore establishes the position of the service within Peterborough City Council (PCC); its authority to access records, personnel and physical properties relevant to the performance of engagements; in addition to defining the scope of Internal Audit activities. There is also an obligation under the PSIAS for the Charter to be periodically reviewed and presented to the Audit Committee, the Section 151 Officer and senior management. This Charter will therefore be revisited annually to confirm its ongoing validity and completeness, and be circulated in accordance with the requirements specified above.

2. PURPOSE

- 2.1 In accordance with the PSIAS, Internal Auditing is defined as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 However, it should be appreciated that the existence of Internal Audit does not diminish the responsibility of senior management to establish appropriate and adequate systems of internal control and risk management. Internal Audit is not a substitute for the functions of senior management, who should ensure that Council activities are conducted in a secure, efficient and well-ordered manner with arrangements sufficient to address the risks which might adversely impact on the delivery of corporate priorities and objectives.

3. MISSION AND AIM

- 3.1 “To provide an independent risk based and objective assurance service which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values / vision of Peterborough City Council.”
- 3.2 The aim of the internal audit service is to demonstrate effective adherence and operation of the Core Principles for the Professional Practice of Internal Auditing. This encompasses demonstrating integrity; competence and due professional care; being objective and free from undue influence; aligning with the strategic objectives and risks of the organisation; being appropriately positioned and resourced; quality and continuous improvement; effective communication; provides risk based assurance; is insightful, proactive and future focussed and promotes organisational improvement.

4. AUTHORISATION

- 4.1 The requirement for an Internal Audit Service is outlined within the Accounts and Audit Regulations 2015, which state that “*a relevant authority must undertake an adequate and effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance*”,
- 4.2 This statutory requirement for continuous Internal Audit has been formally recognised and endorsed within PCC’s Constitution, making Internal Audit primarily responsible for carrying out an examination of the accounting, financial and other operations of the Council, under the independent control and direction of the Section 151 Officer. The role of Section 151 Officer at PCC is fulfilled by the Corporate Director of Resources.
- 4.3 Further, there are other requirements placed upon the Chief Audit Executive (see Section 5: Organisation and Relationships), to fulfil all aspects of CIPFA’s Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2019 edition).
- 4.4 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised to have full, free, and unrestricted access to any and all of the organisation's:
- Records, documents and correspondence (manual and electronic) relating to any financial and other transactions;
 - Physical properties, i.e. premises and land, plus cash, stores or any other Council property; and
 - Personnel – requiring and receiving such explanations as are necessary concerning any matter under examination and generally assisting the Internal Audit activity in fulfilling its roles and responsibilities.

The above rights also include access to organisations and partners where PCC data is processed as part of contractual protocols where an open book/audit access arrangement is in place. An example of this is the Transactional Services provision provided by SERCO.

4.5 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

5. ORGANISATION AND RELATIONSHIPS

5.1 Within the PSIAS, the terms 'Chief Audit Executive,' 'Board' and 'Senior Management' are used to describe key elements of the organisation's governance, and the ways in which they interact with Internal Audit. The PSIAS require that the terms are defined in the context of the governance arrangements in each public sector organisation, in order to safeguard the independence and objectivity of Internal Audit. At PCC, the following interpretations are applied, so as to ensure the continuation of the current relationships between Internal Audit and other key bodies at the Council. The following terms are explained:

- Chief Audit Executive
- Board
- Senior Management
- External Audit
- Other Internal Audit Service Providers
- Other External Review and Inspection Bodies

5.2 Chief Audit Executive

At PCC, the Chief Audit Executive is the Chief Internal Auditor (CIA). The CIA has a direct line of reporting to the Corporate Director of Resources who would approve all decisions regarding performance evaluation, appointment or removal of the CIA in consultation with senior management. In response to requirements laid down within the PSIAS, it is further confirmed that the CIA has a direct reporting line and free and unfettered access to the Section 151 Officer, Chief Executive and Monitoring Officer should it be required.

5.3 Board

5.3.1 In the context of overseeing the work of Internal Audit, the 'Board' will be the Audit Committee of the Council, which has been established as part of the corporate governance arrangements at the Council. The Committee is responsible for the following with reference to Internal Audit:

- Internal Audit Plans;
- Progress and performance against approved plans;
- Annual Audit Opinion; and
- Compliance with standards.

5.3.2 Internal Audit will work closely with the committee to facilitate and support its activities. Moreover, the CIA also has a direct reporting line, and free and unfettered access to the Chair should it be needed.

5.4 Senior Management

In the context of ensuring effective liaison between Internal Audit and senior officers, Internal Audit has regular access to Directors and Heads of Service. 'Senior Management' for the purposes of this Charter are the Corporate Management Team of which the Section 151 Officer is a key member.

5.5 External Audit

Internal Audit interact with the Council's External Auditors – Ernst and Young – in order to minimise any potential duplication of work and determine the assurance that can be placed on the respective work of the two parties.

5.6 Other Internal Audit Service Providers

Internal Audit will also liaise with other Council's Internal Audit Service providers, where shared service arrangements exist. A protocol has been developed with Cambridgeshire County Council where there is an increasing level of shared services for implementation during 2021/22. The aim is to enable information to be shared, the potential to place reliance on each others work or for each team to take the lead in some audit areas to avoid duplication and over auditing of service areas. The protocol is attached as an appendix to the charter (see Appendix 1). Where assurance is being provided to the authority from another internal audit provider, this will be included within reports to the Audit Committee where it is utilised in providing assurance as part of the annual audit opinion.

5.7 Other External Review and Inspection Bodies

The Internal Audit Section confirms it will likewise co-operate with all external review and inspection bodies that are authorised to assess and evaluate the activities of the Council, to determine compliance with regulations, standards or targets. Internal Audit will, wherever possible, utilise third party assurances arising from this work.

6. **OBJECTIVES AND SCOPE**

6.1 The provision of assurance services is the primary role of Internal Audit and there is a duty of care on the Chief Audit Executive to give an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This responsibility to evaluate the governance framework far exceeds examination of controls applying to the Council's core financial systems. Instead, Internal Audit is required to scrutinise the whole system of risk management, internal control and governance processes established by management.

- 6.2 Internal Audit also has a secondary role, whereby it will provide consultancy services which are advisory in nature and generally performed at the request of the Council to facilitate improved governance, risk management and control, and potentially contribute to the annual audit opinion. This may include participation within working parties such as information governance and risk management.
- 6.3 A risk based Audit Plan will be developed each year to determine an appropriate level of audit coverage to generate an annual audit opinion, which can then be used to assist with the formulation of the PCC's Annual Governance Statement. Moreover, audit work performed will seek to enhance the Council's overall internal control environment. In the event of deficiencies in arrangements being identified during audit assignments, Internal Audit will put forward recommendations aimed at improving existing arrangements and restoring systems of internal control to a satisfactory level, where relevant.
- 6.4 In accordance with the PSIAS, the Internal Audit Service will evaluate and contribute to the improvement of:
- The design, implementation and effectiveness of the organisation's ethics related objectives, programmes and activities.
 - The effectiveness of the Council's processes for performance management and accountability.
 - The Council's IT governance provisions in supporting the organisation's corporate priorities, objectives and strategies.
 - The Council's risk management processes in terms of significant risks being identified and assessed; appropriate risk responses being made that align with the organisation's risk appetite, the capturing and communicating of risk information in a timely manner, and its use by staff, senior management and members to carry out their responsibilities and inform decision making generally.
 - The provisions developed to support achievement of the organisation's strategic objectives and goals.
 - The systems formulated to secure an effective internal control environment.
 - The completeness, reliability, integrity and timeliness of management and financial information.
 - The systems established to ensure compliance with legislation, regulations, policies, plans, procedures and contracts, encompassing those set by the Council and those determined externally.
 - The systems designed to safeguard Council assets and employees.
 - The economy, efficiency and effectiveness with which resources are used in operations and programmes at the Council.
- 6.5 In addition to the areas recorded above, where Internal Audit will give input to their continuing enhancement; the Service will also provide support to the Director in the discharge of their duties as the Section 151 Officer with responsibility for the probity and effectiveness of the Authority's financial arrangements and internal control systems.
- 6.6 **Managing the risk of fraud and corruption is the responsibility of management.** However, as part of the scope of Internal Audit, it will be alert in all its work to the risks and exposures that could allow fraud or corruption to occur and will monitor the extent and adequacy of risk controls built into systems by management, sharing this information with External Audit and other corporate investigators.
- 6.7 In the course of delivering services encompassing all the elements stated above, should any significant risk exposures and control issues subsequently be identified, Internal Audit will report these matters to senior management, propose action to resolve or mitigate these, and appraise the Audit Committee of such situations.

- 6.8 PCC's Anti-Fraud and Corruption arrangements are managed by the CIA, who is responsible for the associated corporate policies. The Anti-Fraud and Corruption Policy and the Whistleblowing Policy both make reference to the requirement to notify the CIA of all suspected or detected fraud, corruption or impropriety.
- 6.9 The CIA will produce an annual investigations report for the Audit Committee which encompasses the work undertaken during the year by the investigations team including any joint reviews with the internal audit team.

7. INDEPENDENCE

- 7.1 The Internal Audit Section operates within an organisational framework that preserves the independence and objectivity of the assurance function, and ensures that Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results. The framework allows the CIA direct access to and the freedom to report unedited, as deemed appropriate, to the Audit Committee, the Chief Executive, Section 151 Officer, Monitoring Officer, External Audit and the Corporate Management Team.
- 7.2 The CIA has line management responsibility for the Insurance function, Corporate Investigations team, stage 2 corporate complaints and Risk Management. The CIA is also an authoriser for payments from the Councils bank accounts. Other officers within Financial Services also have this responsibility, and the CIA is used as the approver of last resort if others are absent. Prior to undertaking any additional management responsibility the CIA will consider and discuss with senior management any potential conflicts that may be evident and the appropriateness of undertaking the additional roles. Any reviews within these activity areas will be kept separate and reviewed independently of the CIA. In such circumstances the Group Auditor will report directly to the Corporate Director of Resources.
- 7.3 The remaining Internal Auditors have no operational responsibilities or authority over any of the activities that they are required to review. As a consequence, they do not develop procedures, install systems, prepare records, or engage in any other activity, which would impair their judgement. In addition, Internal Auditors will not assess specific operations for which they were previously responsible, and objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which they had responsibility within the previous 12 months. Internal Auditors may however provide consulting services relating to operations over which they had previous responsibility.
- 7.4 The CIA will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity. The Internal Audit Team complete an annual declaration of interests that highlights any potential conflicts which may affect the ability to undertake an individual assignment. Additionally, the internal audit brief requires a declaration to be made prior to the start of an assignment. Where this is evident an alternative team member will be assigned the audit review.
- 7.5 Where internal audit services are provided to external organisations, the nature of the work undertaken and resultant outputs will not be shared with PCC.

8. PROFESSIONAL STANDARDS

- 8.1 PCC's Internal Auditors operate and comply in accordance with the revised PSIAS, 2017.
- 8.2 The Internal Auditors are also governed by the policies, procedures, rules and regulations established by PCC. These include, but are not limited to Financial Regulations and Contract Standing Orders, Data Protection Policy, the Anti-Fraud and Corruption Policy and the Code of Conduct. Similarly, the Council's Internal Auditors will be aware of external bodies' requirements (e.g. as identified by CIPFA) and all legislation affecting the Council's activities.
- 8.3 The Council's Internal Auditors will additionally adhere to the Code of Ethics as contained within the PSIAS. Internal Auditors will also demonstrate due professional care in the course of their work and consider the use of technology-based audit and other data analysis techniques, wherever feasible and considered beneficial to the Council. They will similarly not be unduly influenced by their own interests or by others in informing judgements. All working arrangements and methodologies followed by PCC's Internal Auditors are set out in the Audit Manual.

9. AUDIT RESOURCES

- 9.1 The CIA will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit management experience, to enable them to deliver the responsibilities of the role.
- 9.2 The CIA will ensure that there are appropriate resources to deliver an annual evidenced-based audit opinion. As stated in the CIPFA Application Note, "No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence-based opinion. Local factors within each organisation will determine this minimum level of coverage."
- 9.3 The Internal Audit Service has access to staff that have a suitable range of knowledge, skills, qualifications and experience to deliver requisite audit assignments. The type of reviews that will be provided in year include risk based and systems reviews, contract audits, grant certification work, consultancy input to new / modified systems, compliance and special / fraud investigations. In the event of special investigations being required, this will be pursued in conjunction with the Corporate Investigations team if considered appropriate.
- 9.4 If it is identified that there is a shortfall in a particular or specialist/technical skill the CIA will not agree to undertake the audit assignment which could impact on effectiveness or quality of output. In such circumstances external resources may be procured as appropriate until the in-house team gains the required skills.

9.5 As previously determined Internal Audit may undertake consultancy activity (additional activity requested by management) where it has the necessary skills and resources to do this. This will be determined by the CIA on an assignment basis in conjunction with the Corporate Director of Resources where there is likely to be an impact on the delivery of the audit plan.

10. AUDIT PLANNING

- 10.1 The CIA will develop an annual audit strategy, together with annual audit plans and a summary of annual audit coverage using a risk based methodology and an assessment tool. The key factors used in the assessment are:
- Materiality: The size of a system or process in terms of financial value or numbers of transactions or number of people affected.
 - Corporate Importance: The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
 - Stability: The degree of change within the process.
 - Vulnerability: Extent to which the system is liable to breakdown, loss, error or fraud.
 - Specific concerns: Arising from management's assessment of risk as well as audit intelligence.

It will take into account documented corporate and operational risks, as well as any risks or concerns subsequently notified to Internal Audit by senior management. This will be submitted to Senior Management for their approval prior to being taken forward to the Audit Committee for final endorsement, in advance of the new financial year to which they relate.

- 10.2 Resources and required skills are identified as part of the annual planning process. As identified in 9.4 any shortfall in technical skills and/or differences in the resources available to meet the requirements of the audit plan will be highlighted to management and the Audit Committee as part of the planning methodology within the audit strategy along with the continuous review of the Internal Audit Training Strategy. It will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Table 1**.

TABLE 1: AUDIT ACTIVITIES

- Core system assurance work
- Governance, Risk Management and Assurance Framework
- ICT governance and risk
- Corporate / Cross Cutting audits (including value for money reviews)
- Contracts and projects
- Departmental specific reviews
- Compliance activity e.g. schools
- Grant claim certification work
- Fraud and irregularities
- Follow up activity
- Internal consultancy / advice on risks, controls and procedures
- Fee paying audit work
- Member support

10.3 The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks based on planning assessment methodology. It will be flexible, but will only contain a small element of contingency to accommodate fraud assignments which could not have been readily foreseen. However, in accordance with the internal audit assessment process, specific audit requests may take precedence over the original audit plan. If a request for additional work arises where the assessment criteria does not identify the review as high priority, Internal Audit will reserve the right to make a charge for any additional work that is still deemed required by the business. This will be done in consultation with the Acting Corporate Director of Resources and reported to the Audit Committee as appropriate. Resources, such as specialist or additional auditors may be required to supplement this.

11. REPORTING

11.1 The process followed for completing each audit is set out in **Table 2**. Upon completion of each audit assignment, an Internal Audit report will be prepared that:

- Provides an opinion on the risks and controls of the area reviewed, and this will contribute to the annual opinion on the internal control environment, which, in turn, informs the Annual Governance Statement; and

- Provides a formal record of points arising from the audit and management responses to issues raised, to include agreed actions with implementation timescales;
- Prompts management to implement agreed actions within targeted dates; and
- Is quality checked by senior officers within Internal Audit prior to circulation.

11.2 Exit meetings are accommodated enabling management to discuss issued Draft Audit Reports. Accountability for responses to Internal Audit recommendations lies with the Chief Executive, Directors, and / or Heads of Service, as appropriate, who can either, accept and implement guidance given or formally reject it. However, if audit proposals to strengthen the internal control environment are disregarded and there are no compensating controls justifying this course of action, an audit comment will be made in the Final Audit Report, reiterating the nature of the risk that remains and recognising that management has chosen to accept this risk. Similarly if following exit meeting discussions findings, recommendations or audit conclusions are disputed by the client every effort will be made to resolve any situations arising with the relevant directorate. In both instances, depending on the severity of the situation and risk, the matter may be escalated upwards to the Chief Executive and drawn to the attention of the Audit Committee.

TABLE 2: WORKING ARRANGEMENTS DURING AUDITS	
Audit Brief	Where possible 10 days' notice will be given prior to the commencement of a review, although audits can commence earlier subject to mutual agreement, or where the nature of the work necessitates an immediate start. A brief is produced and agreed with manager(s) prior to the commencement of the review.
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	Held at conclusion of fieldwork, or once draft report has been produced (see below), to discuss issues found (if not already provided during course of fieldwork).
Draft report	A draft report will be produced within 3 weeks of audit field work completion. A draft report meeting will be arranged with the Head of Service / Line Manager within 10 days of the report issue to discuss and formally obtain management responses. This will incorporate acceptance (or not) of actions together with timescales for implementation.
Final Report	Internal Audit incorporates management comments within the report along with agreed timescales to implement any agreed actions. The report will be re-issued as a final within 5 days of receiving the response. The report will be distributed in accordance with agreed protocols (see Table 4).
Non response	If management do not respond to the draft report or a meeting request, a reminder will be sent to the original recipients requesting a response within 10 working days. If a response is not received this will be escalated to the next management level after a further 5 days (day 15). After that time, if a response is not received within a further 5 days a notice will be sent to the original recipients and the relevant Director to state that the report will be finalised and recommendations will be marked as 'agreed without response'.

Follow-up Review	Audit activities are normally followed up within 6 months of report finalisation but this can vary depending on target dates for implementation. Management are required to provide details of recommendation implementation which may be subject to further detailed review by internal audit.
------------------	---

11.3 Recommendations are rated and an overall opinion given on the service area reviewed (see **Table 3**). Final Audit Reports will be issued in line with agreed working protocols to the relevant nominated officers and subject to follow up work as necessary. Where there are no responses received from managers despite formally chasing, a report will be deemed as final and issued.

TABLE 3: AUDIT ASSURANCE	
Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
REASONABLE	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
LIMITED	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
NO	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.
RECOMMENDATION GRADES	
Grade	Description
Critical	Fundamental control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
High	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
Medium	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.

	To be implemented at the first opportunity.
Low	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

11.4 Following the end of the year, an annual report will be produced setting out Internal Audit’s opinion on the state of the internal controls and governance across the Council. This will comment upon:

- The scope including the time period to which the opinions pertains;
- Any scope limitations;
- Consideration of all related projects including the reliance on other assurance providers;
- The risk or control framework or other criteria used as a basis for the overall opinion;
- The overall opinion, providing reasons where an unfavourable overall opinion is given; and
- A statement on conformance (or non-conformance) with the PSIAS and the results of the quality assurance and improvement programme.

11.5 Significant issues identified will be referred through to senior management for inclusion in the Annual Governance Statement.

11.6 All reports produced are set out in **Table 4**.

TABLE 4: PLANNING AND REPORTING FREQUENCY			
Report Produced	For	Reason	Content
Audit Report	<ul style="list-style-type: none"> • Service Manager / Headteacher • Director / Chair of Governors • Chief Executive • s.151 officer • Monitoring Officer • Leader of the Council • Cabinet Member for Resources • Chair of Audit Committee 	The end of each audit assignment as the main recipient and those charged with implementing the issues identified	<ul style="list-style-type: none"> • Executive Summary • Audit Opinion • Detailed risk issues • Agreed improvement plan

Progress Reports (based around the committee cycle)	Audit Committee	To provide the Council with progress at delivering the audit service and any key governance issues arising.	<ul style="list-style-type: none"> • Progress against annual plan • Any amendments to current annual plan • Details of significant risk issues • Details of non-responses or non-implementation of actions
Annual Opinion and Performance Report	<ul style="list-style-type: none"> • Audit Committee • External Audit • S151 officer • Monitoring Officer 	The end of each year in accordance with PSIAS. An evaluation of the works undertaken and the level of assurance established.	<ul style="list-style-type: none"> • Annual assurance report giving CIA's opinion on the control environment • Achievement of the annual plan and performance data. • Effectiveness of Internal Audit
Annual Audit Plan	<ul style="list-style-type: none"> • Audit Committee • S.151 Officer • External Audit 	Beginning of year. Details of the service delivered and the future plans to provide assurance across the Council in accordance with PSIAS.	<ul style="list-style-type: none"> • Audit Plan and days to be delivered • Audit Charter • Code of Ethics • Performance indicators to monitor service delivery and quality

12. INTERNAL AUDIT SERVICES PROVIDED TO EXTERNAL CUSTOMERS

- 12.1 Audit activities undertaken on behalf of other organisations follow similar protocols to that of PCC in terms of compliance with PSIAS. Internal audit plans are developed on a risk based methodology in providing assurance and delivering an evidence based Annual Head of Internal Audit Opinion. Reporting and progress monitoring is produced in accordance with the respective audit committee and senior management team and terms of reference detailed within service level agreements.

13. QUALITY ASSURANCE AND IMPROVEMENT

- 13.1 The PSIAS require that the Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) that covers all aspects of the Internal Audit activity. The QAIP is informed by both internal and external assessments, any changes to the PSIAS themselves, best practice guidance and research, and continued improvements in the use of the audit system Pentana. The results of the quality assurance programme together with progress made against the improvement plan will be reported to senior management and the Audit Committee.

13.2 Internal Assessments

- 13.2.1 Internal Assessments must include on-going monitoring of the performance of the internal audit activity. The Service operates in accordance with a number of key performance indicators.
- 13.2.2 Internal arrangements also include a bi-annual survey and post audit feedback from auditees. Should criticism be received, this will immediately be investigated and steps taken to resolve matters raised.
- 13.2.3 The PSIAS additionally require periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of Internal Audit practices. This obligation is satisfied by the CIA performing an annual self-assessment of the effectiveness of Internal Audit, before the results are submitted to the Audit Committee. Presenting this information to the Audit Committee enables members to be assured that the Internal Audit Service is operating in a satisfactory manner such that reliance can be placed on the subsequent annual audit opinion provided by the CIA.

13.3 External Assessments

- 13.3.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external verification. PCC was subject to an external review in 2018 and was found to be fully compliant.

This page is intentionally left blank

PETERBOROUGH CITY COUNCIL INTERNAL AUDIT CODE OF ETHICS
--

INTRODUCTION

The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code sets out the minimum standards for the performance and conduct of Peterborough City Council's (PCC) Internal Auditors. It is intended to clarify the standards of conduct expected when carrying out their duties and promote an ethical, professional culture at all times when undertaking audit duties.

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity.** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity.** Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality.** Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency.** Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

INTEGRITY

PCC Internal Auditors shall:

- Perform their work with honesty, diligence and responsibility;
- Observe the law and make disclosures expected by the law and the profession;
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Respect and contribute to the legitimate and ethical objectives of the organisation; and

OBJECTIVITY

PCC Internal auditors shall:

- Not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Not accept anything that may impair or be presumed to impair their professional judgement; and
- Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

CONFIDENTIALITY

PCC Internal auditors shall:

- Be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

COMPETENCY

PCC Internal auditors shall:

- Engage only in those services for which they have the necessary knowledge, skills and experience;
- Perform Internal Audit services with the International Standards for the Professional Practice of Internal Audit; and
- Continually improve their proficiency, effectiveness and quality of their services

MANAGING ARRANGEMENTS

To ensure compliance with the Code of Ethics:

- There is an annual review of the Code to reinforce understanding and confirm on-going commitment;
- Quality control processes are in place to demonstrate integrity in all aspects of the work;
- All staff are obliged to declare any potential conflicts of interest;
- Confidentiality is clearly understood and any breaches will not be tolerated; and
- Staff are aware and understand the organisations aims and objectives together with an appreciation of the policies and procedures which govern the areas to be audited.

PETERBOROUGH CITY COUNCIL INTERNAL AUDIT STRATEGY 2021/22
--

1 INTRODUCTION

- 1.1 Internal Audit has a key role in supporting the Council and its Audit Committee in discharging its governance responsibilities. Its aim is to provide independent risk based and objective assurance which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values and vision of Peterborough City Council.
- 1.2 In accordance with the mandatory Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. The role, purpose and authority of Internal Audit is defined in our Charter, which is updated annually and presented to the Audit Committee for approval.
- 1.3 This document demonstrates how Internal Audit will support the Council in by delivering a relevant and focused Internal Audit Annual Plan for 2021/22. It explains how the plan was developed, the resources required to fulfil it, and how we will continue to develop the audit service.
- 1.4 The strategy will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council’s aims and in achieving a professional, modern audit service.

2 INTERNAL AUDIT PLANNING PROCESS

- 2.1 In an ever changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council. To ensure the plan is flexible and meets the needs of the organisation in real time an assessment and planning tool will be used throughout the year on a rolling basis. This approach has been in operation since 2018 and has the advantage that each selected piece of work is the right one.
- 2.2 In January 2021 Audit Committee, received and discussed some emerging themes as part of the 2020/21 annual planning process. These were generated from our review of: departmental and strategic risk registers; discussions with senior management; the Council’s priorities; the Medium Term Financial Strategy; key decisions and reports taken to Cabinet, Scrutiny Committee and other committees; and contract and project registers. The themes considered were:
- **Corporate governance** – an overview of governance arrangements not covered elsewhere, as well as compliance with our Local Code of Governance.
 - **Financial governance** – a key area considering the financial pressures faces by the council, impending changes to legislation resulting from Brexit, the financial assurance required for Covid-19 expenditure validation and covering major financial systems.
 - **Information governance** - this includes data protection and management arrangements, including IT security, as well as major changes to IT infrastructure.

- **Contracts and Procurement** - this is an essential component of the audit process, especially given the dependence on external suppliers and partners.
- **Projects and Programmes** – there are a number of large projects designed to introduce new ways of working and to increase efficiency and cost effectiveness. Joint authority projects with Cambridgeshire County Council are also evolving where there are instances of shared service delivery.
- **Service Delivery** - including those services delivered internally and by external bodies, such as joint ventures or wholly owned companies, and also within shared service arrangements.
- **Cyclical/Annual** - this includes work that is required rather than risk assessed, for example independent verification and grant certification; cyclical reviews of schools and our annual involvement in the National Fraud Initiative.

- 2.3 The list of ideas that this generated was then subject to an assessment, using our planning tool. The key factors being assessed are:
- **Materiality:** The size of a system or process in terms of financial value or number of transactions or number of people affected.
 - **Corporate Importance:** The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
 - **Stability:** The degree of change within the process.
 - **Vulnerability:** Extent to which the system is liable to breakdown, loss, error or fraud.
 - **Specific concerns:** Arising from management’s assessment of risk as well as audit intelligence.

- 2.4 The Annual Audit Plan was then compiled on the basis of:
- The prioritised list of potential audit reviews generated by the above assessment.
 - The number of audit days available for the year.
 - The skills, knowledge and experience of audit staff.
 - Information from other assurance providers.
 - An allowance for statutory activities, ad hoc consultancy, planning and progress reporting and follow-up reviews.

- 2.5 During the year, as we emerge from the pandemic and any new ways of working become the new normal we will re-assess any new risks that may materialise or concerns that are raised. New resultant pieces of work will be determined by its priority for review compared to those areas already in the plan. Coordination between Internal Audit and Risk Management functions is of value here such that emerging local and national risks are identified. The Chief Internal Auditor has recently taken over responsibility for the Risk Management function which should help to further develop the timely communication of emerging risks with the Internal Audit team. Our planning methodology does mean that we cannot state with certainty which audits will be undertaken, however we will be able to ensure that each next piece of work is the highest priority one and therefore of benefit for the organisations assurance process. Changes to the plan will be notified to the S151 officer and Audit Committee as part of agreed reporting arrangements

3 **AUDIT RESOURCES**

- 3.1 The Internal Audit Service is provided by an in-house team with an establishment of 6.10 FTE (as detailed below). The team is not currently fully resourced, due to vacancy for a Senior Auditor arising during 2020-21.

Post Name	FTE
-----------	-----

Chief Internal Auditor	1.00	
Group Auditor	1.60	
Principal Auditor	0.50	
Senior Auditor	2.00	
Auditor	1.00	
 Total establishment	 <table border="1"><tr><td>6.10</td></tr></table>	6.10
6.10		

- 3.2 The Chief Internal Auditor is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council, as well as undertaking any Stage 2 Corporate Complaints along with the recent addition of Risk Management. Management of these activities equates to approximately 0.5 FTE. The team holds a vacancy for a senior auditor and this position will be monitored during the year with regards to approval to recruit. After adjusting for this the remaining FTE available to provide an audit service to Peterborough City Council is 4.6 FTE.
- 3.3 Resource requirements are reviewed each year during this planning process. During 2020 some staff resources were diverted to support the hub activities as a result of the pandemic. At the time of this report one member of the team is due to return to their substantive post and resources have been calculated on that basis. However if this arrangement is extended further there may be a reduction in the deliverability of days as a result. The market is presently being tested for temporary resources to help bridge this shortfall should the situation arise.
- 3.4 The audit team is developing a working protocol with Cambridgeshire County Internal Audit services to help eliminate areas of duplication, which is being presented as part of this annual reporting process (see Appendix 1 – within the Audit Charter). Arrangements are subject to approval and at a preliminary stage but both Chief Internal Auditors are discussing the potential and feasibility to share resources in relation to the graduate scheme operated within CCC.
- 3.5 The new flexible planning methodology means it is not possible to say at the outset how our resources will be utilised throughout the year. However, during the planning process we consider (and have management requests for) more areas for review than we have the resources to cover. Appendix D shows those areas (shaded) that we are currently predicting that we will not be able to cover based on our current resource levels and the risk profiling of audit areas.
- 3.6 The audit plan does identify a conflict of interests for the Chief Internal Auditor regarding the risk management review. Our Charter states that such audits will be reviewed independently from the CIA and we will determine the most appropriate arrangements at the time. We will continue to keep this under review during the year as individual reviews are scoped to identify and new conflicts arising.

4 QUALITY ASSURANCE AND IMPROVEMENT

- 4.1 The Internal Audit team will operate to the mandatory professional standards outlined in the Public Sector Internal Audit Standards (PSIAS). We will continue to monitor and improve the quality of our work in the following ways:
- Robust, evidenced quality reviews of each piece of audit work by senior management.
 - Ongoing supervision and mentoring of staff, though 1:1s.
 - Assessment of the training needs of staff in conjunction with the internal audit training strategy and the corporate appraisal process.
 - Post-audit questionnaires obtaining the views of auditees.
 - Customer surveys to understand the requirements of management and their views on the quality of our service.

- Producing and implementing an improvement plan based on any self or externally assessed reviews of our work.

5 AUDIT SERVICE DEVELOPMENT

5.1 We aim to continually review and improve our service to ensure it is of the highest quality and meets our aims, as set out in the Charter. Planned developments for 2021/22 include:

- Developing and implementing a joint working protocol in collaboration with Cambridgeshire County Council where there is an overlap of coverage to avoid duplication and improve efficiencies.
- Implementation and further development of our Quality Improvement Assurance Plan.
- An update of our follow-up process, to improve efficiency and ensure all actions are tracked and easily reportable.
- A survey of senior management to understand their thoughts on the work that we do, and to assist in shaping the Internal Audit service going forward.
- A review of our post-audit questionnaire, with the aim of increasing its return rate using electronic surveys.
- Areas for staff development will continue around commercialisation such as joint venture arrangements, contracting as a result of Brexit and legislative changes along with fraud upskilling. Consideration around training and its delivery will be subject to available resources, making use of any available free online training and in-house sharing of knowledge.
- The internal audit team will also be supporting a member of the investigations team who will be undergoing an internal audit apprenticeship crossing 2-3 years to not only fulfil the requirements of the training programme but also help to develop a long term flexible working arrangement across the two teams.
- Ongoing upgrades of our audit software, to ensure we are making full use of best practice enhancements.

56

6 OVERVIEW OF PLAN

The Plan for 2021/22 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. Assurances from other providers will be utilised where appropriate and in accordance with the proposed working protocol with Cambridgeshire this may result in some reviews being delivered by one authority in providing assurance for both organisations. Where this may be the case the audits are identified within Appendix D. The days available that could be achieved with a full establishment are 896 as detailed in the table below along with the deliverable days for the current staffing levels identified as 706. Further details of specific audit reviews can be found in Appendix D.

Internal Audit Work Activities	Full Establishment	%	Current Days	%
Corporate Governance	110	12	75	11
Financial Governance	195	22	135	19
Information Governance	45	5	30	4

Procurement and Contracts	60	7	60	9
Programmes and Projects	90	10	40	6
Service Delivery	100	11	70	10
Cyclical/Annual	112	13	112	16
Other Resource / Assurance Provisions	184	20	184	25
TOTAL RESOURCES ALLOCATED	896	100	706	100

6.1 Financial Governance

This will continue to cover a range of assurance and verification work relating to government support grants. We will look to verify compliance with spending controls and decisions and to detect fraud. A key area is our budget position, and we will monitor the processes in place that ensure savings targets are robust and achieved. We will also contribute to the NXG exercise which will review operating processes to identify and prevent past and future duplicate payments. Many other aspects of our work will have a financial element to them, such as our reviews of contracts, projects and service delivery reviews. We will co-ordinate our work with our External Auditors to ensure that there is no duplication of effort and to obtain any assurance from the work that they do.

6.2 Corporate Governance

The work outlined in this section provides a high level overview of the governance arrangements at the Council, including the reshaping of Human Resources absence management system, an overarching review of corporate governance compliance including the local Code and input to the Annual Governance Statement. We will also be reviewing the risk management which incorporates the Risk Management Board.

6.3 Information Governance

In this area we are planning to review arrangements to deal with the risks to data and systems due to the increased level of fraudulent activity, along with the significant level of home working. We will also continue to attend the Strategic Information Governance Board, providing consultancy advice on the policy framework and emerging issues.

6.4 Other Service Delivery

Each year we aim to look at services delivered by external organisations in which we have an interest, such as joint ventures. This year that will include the governance arrangements relating to the insourcing of the Vivacity Leisure Trust which is being managed by the City College in relation to arts and culture and Aragon for sports and leisure activities.

6.5 Anti-fraud Culture

The Chief Internal Auditor manages an Investigations Team, and reports to Audit Committee separately about their work. However, in delivering all of its work, internal auditors are alert to the risks and exposures that could allow fraud or corruption to occur. Our plan also includes time for pro-active fraud detection during this time of significant change in the Council, which will have an on impact staff and their working practices, increasing the risk of error and fraud. It will

also include our annual work in relation to the National Fraud Initiative where internal audit have a key role. Where suspected irregularities require prompt reactive investigating, we will re-prioritise our audit plan to enable time to be released from other audit work. We will also work with the Investigations Team where appropriate.

6.6 Service Delivery Risks

We have included a number of reviews in this area including property management, ICT service delivery, Parking Services and safeguarding clients assets.

6.7 Procurement and Contracts

We assess the management of contracts as high priority at a strategic level and always include time in our plan. Those contracts we have identified so far for this year's plan are the revised arrangements with Skanska and the Integrated Community Equipment Service contracts, but we will continue to update our risk profile which result in including others. Procurement arrangements are due to change in 2022 as a result of Brexit and internal audit will review that process as more details become available.

6.8 Programmes and Projects

We assess the management of projects as high priority at a strategic level and always include time in our plan. This year we have included areas such as the housing revenue account, the regional pool replacement facility and the IT disaster recovery project. We will examine projects to ensure appropriate business cases have been made and that they are being managed effectively to achieve their objectives. This may also include a look at business benefits realisations, as the large transformation projects are key to the delivery of efficiencies and therefore necessary savings.

6.9 Grant Certification

As a result of the Council continuing to receive and obtain grant funding, the demand for internal audit to certify grant claims increased during 2020 and will continue into 2021 so days allowed remain higher than prior to the pandemic. Also included in this area of the plan is other verification work carried out in line with Government requirements, such as Troubled Families programme (known locally as Connecting Families), Disabled Facilities and the Transport related grants from the Combined Authority.

6.10 Other Resource Provisions

This area includes time for:

- Completing 2012/21 audits that have yet to be finalised at the beginning of 2021/22
- Following-up the implementation of audit recommendations, normally within 6 months of the original audit;
- The provision of control advice and consultancy, which is requested on an ad-hoc basis from a variety of managers and officers. A large amount of this work consists of advice during the update or implementation of new systems or processes.
- Annual audit planning, progress monitoring and reporting.
- Other committee support, including reporting, Audit Committee training and a review of Audit Committee effectiveness
- Review and update of the Internal Audit Charter and Ethics statement, Quality Service Improvement Plans and review of Internal Audit effectiveness

6.11 **External Works**

PCC Internal Audit previously provided audit services to the Combined Authority, however this arrangement concluded during 2020 along with the service level agreement with Vivacity as a result of its insourcing back within the authority. Whilst there is no provision for external works to be delivered during the year, should the request or demand arise it will be assessed in terms of deliverability and the impact on the audit plan. Any changes will be reported to audit committee in accordance with the reporting cycle.

This page is intentionally left blank

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

AUDIT ACTIVITIES Provision for Internal Audit and Anti-Fraud activities that are not subject to risk assessment.	
SERVICE / SYSTEM	AUDIT SCOPE
Annual Audit Planning	Produce risk assessed annual plan and strategy, along with a review of: <ul style="list-style-type: none"> • Internal Audit effectiveness • Internal Audit Charter • Internal Audit Ethics Policy • Quality Assurance Improvement Plan Includes reporting of the progress of the plan during the year. In accordance with PSIAS.
Annual Audit Opinion	Produce report detailing work carried out and Head of Internal Audit Opinion of Governance, Risk and Control, in accordance with PSIAS.
Audit Committee Support	This includes a review of Audit Committee effectiveness, update of the Audit Committee Handbook, provision of training and attendance at meetings.
Annual Corporate Governance Review	Review of senior management self-assessment assurance statements. Verification of (but not production of) final AGS. High level review of governance including compliance with Local Code of Governance and ethics/standards.
Fraud activities	National Fraud Initiative – Review of data and investigation of 2020 matches. Investigations into alleged fraud or irregular activity, as required.
Working Groups/ Boards/Committees	Attendance at working group/board meetings (for example: Risk Management, Information Governance, project and procurement boards and Brexit working group) and reviewing emerging issues.
Carry Forward Provision	Provision for the completion of 2020 - 21 audits.
Follow Up Provision	Revisiting audits after 6 months to monitor the implementation of recommendations.
Advice and Consultancy	Allowance exists for time spent on providing risk and control advice to officers, management and members, as well as ad hoc requests for consultancy work.
TOTAL AUDIT DAYS	
247	

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

CERTIFICATION

Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.

DESCRIPTION	COUNCIL OBJECTIVE	DIRECTORATE	AUDIT SCOPE
Disabled Facilities	6	P&C	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations. Completion by July 2021
Bus Service Operators	6	P&E	A grant to support bus services, including community transport services – Service to transfer to CPCA in 2021 – responsibility for the grant certification is still to be determined.
Integrated Transport Block	1	P&E	From DfT via CPCA. Completion by September 2021
Highways Maintenance	1	P&E	From DfT via CPCA. Completion by September 2021 (Needs Element, Incentive Element, Additional Incentive Element).
Pothole Action Fund	1	P&E	From DfT via CPCA. Completion by September 2021
National Productivity Investment Fund	1	P&E	From DfT via CPCA. Completion by September 2021
Connecting Families	2, 6	P&C	The grant was due to be phased out but has been extended for a further year. Payment by results scheme. Requirement to audit 10% of the claims for every submission. Also, to review the council's Outcomes Plan, which documents how PCC will apply the scheme. Claims reviewed monthly.
Mayor's Charities	N/A	L&G	Independent examination of the Mayor's Charities' accounts, in line with the Charity Commission's requirements.
TOTAL AUDIT DAYS			62

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Financial Resilience	All	Corporate	A review of the arrangements in place to ensure that savings targets are robust and that they are achieved. This may cover the progress of some specific savings proposals.	H	77
Covid related grant activities.	All	Corporate	Business Support Grants - assurance checks Tranche 1 of business grants has been reviewed during 2020 to provide assurance on eligibility and identify any potential risk of fraud. Further work to be undertaken during 2021/22 to review tranches 2 & 3 along with additional grants arising which may require formal certification sign off such as Test and Trace.	H	73
Contracts	All	Corporate	A review of contract management and/or open book reviews of the operation of key contracts, for example: <ul style="list-style-type: none"> Peterborough Highways Services – Revised contract with Skanska) Integrated Community Equipment Service (contract is due to commence 1/4/2021. A review of financial and operational performance. Pooled budget with the CCG. Joint contract with CCC). 	H	68
Property Asset Management	All	Resources / NPS	A review of the organisations property asset management system (Technology Forge) to incorporate all aspects of property management	H	68
IT Asset Management (new ways of working)	All	Customer and Digital	To include arrangements for remote working, IT and Cyber security, Downtime replacement/stocks, Building IT needs.	H	66
Housing Revenue Account	1,6	Place & Economy	A review of the Housing Revenue Account Project	H	65

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Information Governance	All	Legal & Governance / All	Review of processes in areas of high data breach / changes of processes due to remote working and or a review of assurance provided by Information Governance Team.	H	65
Financial Systems	All	Corporate	Pro-active fraud testing of vulnerable financial systems, eg, Payments NXG - Data mining exercise to identify and prevent past and current duplicate payments	H	62
Aragon	1, 6	Place & Economy	Governance arrangements for this wholly owned company / contract performance	H	62
Business Continuity	All	Customer & Digital / All	Expanding on strategy work previously undertaken in 2020 to include directorate arrangements	H	61
Planning Approval Processes	All	Place & Economy	A review of the Governance arrangements and information to inform committee decision making	H	61
Human Resources / Absence Management	1,4,6	All	A review of the absence management system which was implemented during 2020. Audit to review operation of the system and associated management data.	H	61
Town Deal Funding	All	Place & Economy	Successful bid for Town Deal funding where up to £23m has been awarded. A review of the audit framework for managing funds following the successful bid for Town Funding (£23m)	H	60

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Aragon - Vivacity	All	Place & Economy	A review of the newly formed Governance / Board arrangements, associated policies and insourcing arrangements for the leisure aspects (Sports Centres etc) of the business now being managed by Aragon.	H	56
Risk Management	All	Corporate	A review of risk management arrangements to include the function of the Risk Management Board, strategy and risk register information	H	58
Brexit Procurement Processes	All	Resources / Legal & Governance	Review of changes to procurement processes resulting from the green paper review requiring constitutional changes (due to be implemented 2022)	H	56
Programme / Project Management Governance	All	Corporate / Business Improvement and Development	Review of project management processes incorporating POWA - (a new centralised project management system which has replaced VERTO) (Joint working with CCC)	H	56
ICT Joint Strategy – Shared Service Review	All	Customer & Digital	Review of the shared service arrangement with CCC following the insourcing of the previous PCC serco contract	H	56
Parking Services	3	People & Communities	A review of the Parking Strategy and achievement of the associated savings targets.	H	55
City College - Vivacity	2,3,5	People & Communities	Review to cover the newly formed Governance / Board arrangements, associated policies and insourcing arrangements.	H	55

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Safeguarding Clients Assets - Appointeeships	3	People & Communities	A review of appointeeship arrangements resulting from service users being unable to manage personal finances (Joint working with CCC)	H	55
IT Disaster Recovery	All	Customer & Digital	A review of the Disaster Recovery Project (ITDS77) which is due to be implemented during 2021	H	55
CHC Joint Funded Assessment Tool	All	People & Communities	A review of the process for administering and managing the joint funded tool (Joint working with CCC)	H	55
Regional Adoption Agency	All	People & Communities	A review of new system services and processes (Joint working with CCC)	H	54
Peterborough Investment Partnership	1	Place & Economy	A review of the business case and project for the replacement of the Regional Pool Facility	H	53

TOTAL AUDIT DAYS

397

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Aragon	1,4,6	Place & Economy	A review of refuse collection arrangements, processes and performance	H	50
Aragon	1,4,6	Place & Economy	A review of billing and charging arrangements to ensure prompt settlement of accounts.	H	50
University PropCo	1,2	Place & Economy	A review of the governance of this joint venture between the Council and the Combined Authority, which will be responsible for the delivery and management of the proposed university buildings.	H	50
City College	2	People & Communities	A review of the arms length governance arrangements.	M	49
Human Resources / Expenses Module	3, 6	Chief Exec	A review of the expenses module due to be implemented within the HR management system.	M	48
Management Upskilling / Modern Manager Training	1	Corporate	A review of the corporate training programme to be introduced in 2021. Links to Finance /HR responsibilities rolled out to Managers.	M	48
Covid Grant Reconciliation	All	Resources	A review of the processes and controls to ensure that all grants are captured and reconciled	M	48
Housing Management and Repairs Service	1	Place & Economy	A review of the project to establish a housing management and repairs service within the Housing Service	M	46
Payroll	All	Corporate / Serco	A review of system processes to include legislative changes	M	46

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

Prioritised Audits for Review

The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements. The shaded areas represent audits that will not be possible with current resources.

SERVICE OR SYSTEM	COUNCIL OBJECTIVE	DIRECTORATE	OUTLINE AUDIT SCOPE	Priority	
				Rating	Score
Mobile Phone Refresh	All	Customer & Digital	A review of the project process and delivery outcomes.	M	45
Bushfield Court	3, 7	Place & Economy	A review of the policy regarding the re-establishment of the building for homeless accommodation	M	45
Climate Change Action plan	4	Place & Economy	Project review relating to project process, funding and achievement of the action plan targets.	M	41
Mental Health and Wellbeing	7	Corporate	Management overview of the Council's Mental Health Strategy and its implementation to support and address changing working environments resulting from the pandemic and potential future arrangements.	M	39
Council Tax	All	Resources	Review of system controls and processes to include single person discount and impact on collection resulting from Covid..	M	38
Temporary Accommodation and Traveller Site Income Collection	1	Place & Economy	A review of changes to income collection processes within Housing Services resulting in forecast savings of £205k	M	37
TOTAL AUDIT DAYS					190

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT PLAN 2021/22**

VISION FOR THE CITY

STRATEGIC PRIORITIES

- 1 Drive growth, regeneration and economic development.
- 2 Improve educational attainment and skills.
- 3 Safeguard vulnerable children and adults.
- 4 Implement the Environment Capital agenda.
- 5 Supporting Peterborough's culture and leisure trust Vivacity.
- 6 Keep all our communities safe, cohesive and healthy.
- 7 Achieve the best health and wellbeing for the city.

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 6
22 MARCH 2021	PUBLIC REPORT

Report of:	Peter Carpenter, Corporate Director of Resources	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel: 384557

INVESTIGATING ALLEGATIONS OF FRAUD

R E C O M M E N D A T I O N S	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee note:</p> <ol style="list-style-type: none"> 1. The proposed changes made to ensure efficient delivery of fraud investigations; 2. Works to date in relation to meeting the requirements of the National Fraud Initiative; and 3. Outcomes from national studies and future proposals. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee to provide awareness of some of the steps undertaken within the Council to tackle fraud and corruption within the Council.

2. PURPOSE AND REASON FOR REPORT

2.1 The Council provides a raft of services to the public from its scarce resources. Every effort is made to ensure that the resources are used for their intended purpose. However, there are occasions when this may not always be the case and the Council needs to have appropriate mechanisms to protect the public purse. This report sets out some of the Council's approach to tackling fraud and corruption.

2.2 This report is for Audit Committee to consider under its Terms of Reference 2.2.2.15 "To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process".

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
---	-----------	----------------------------------	-----

4. BACKGROUND AND KEY ISSUES

4.1 Introduction

4.1.1 The Accounts and Audit Regulations 2015 state that the Council must have measures in place “*to enable the prevention and detection of inaccuracies and fraud*”. Fraud also refers to cases of bribery and corruption. The Councils Financial Regulations Section 4.4 “*Preventing Fraud and Corruption*” set out its position. It requires the Corporate Director of Resources to lead on the development of anti-fraud policies, with all Directors responsible for reporting and operating in accordance with those policies.

4.1.2 The Council’s approach to tackling fraud and corruption is underpinned by a range of policies and procedures which set out ways in which concerns can be raised, investigated and reported and appropriate action taken. This report sets out the details in relation to:

- Anti-Money Laundering Policy;
- Sanction and Prosecution Policy (Council Tax and Business Rates); and
- Sanction and Prosecution Policy (Blue Badge and Car Park Permits)

4.1.3 Similarly, external organisations provide support and evidence which can be used to target potential fraud against PCC. An example of this is the regular National Fraud Initiative which has been in place since 1994 and undertaken every 2 years. In addition, Business Grants paid out as part of the pandemic response have also been included in these checks to ensure that the public purse is protected.

4.2 Corporate Policies

4.2.1 It is important that the Council has policies and procedures in place which are fit for purpose and are effective in preventing, detecting and investigating fraud where it occurs. Staff, agency workers and Members need to be made aware of, be able to understand and comply with the policies and procedures which comprise the Council’s counter fraud framework. Staff agency workers, Members and citizens must have confidence in the reporting arrangements and subsequent investigation of concerns which can be reported via the various channels available.

4.2.2 A review of the existing policies has been undertaken. Each of the three policies remain relevant and up to date and no changes are proposed. They were included as appendices in July 2020 for reference.

4.2.3 A key aspect for fraud policies has been the ability to prosecute should the need arise. With the ongoing lockdown arrangements Courts have not been open to enable these to be prosecuted. Our policies allow for such eventualities. For example, in the normal course of events for investigating Council Tax Reduction Scheme, once evidence is established that there has been a fraud committed, the claimant is interviewed under caution. This can lead to either an Administration Penalty levied (an additional 50% of the overpayment) or can proceed to prosecution. With lockdown, we do not have the ability to complete these interviews and over time these cases can become time barred in relation to prosecution.

4.2.4 Our policies allows for the Council to levy a Civil Penalty for either incorrect statements or a failure to notify change of circumstances. Each allows PCC to impose a penalty of £70 where an incorrect statement or representation has been made, as long as the person has not been charged with a Local Council Tax Reduction offence or been offered a Caution or Financial Penalty. This is in addition to the recovery of the overpayment. It is seen as a more efficient use of our scarce resources. It is a similar approach adopted by a number of neighbouring authorities.

4.3 National Fraud Initiative 2020

- 4.3.1 This is a biennial data matching exercise whereby all Local Authorities and some government agencies match their data to prevent and detect fraud and error in their systems. The NFI compares different sets of data, for example payroll and benefit records against other records held by the same or other organisation, bringing to light potentially fraudulent claims and payments. Where a match is found it may mean that further investigation is required.
- 4.3.2 The NFI has been running since 1994, and was originally managed by the Audit Commission. The Commission processed the NFI data under its statutory powers under Part 2A of the Audit Commission Act (1988). The Serious Crime Act 2007 (SCA) gave the Commission new powers to enable the benefit of NFI to be extended to Central Government and the private sector. The SCA inserted a new paragraph into the 1998 Audit Commission Act. The SCA imposed a new regulatory regime alongside existing fair processing and other compliance requirements of the Data Protection Act 1998. Any person or body conducting or participating in the exercise must by law, have regard to a statutory Code of Data Matching Practice.
- 4.3.3 Over time the exercise has evolved to extend across all Local Authorities in the United Kingdom and now includes pension details from the Police, Health Service and Fire Service. The exercise is now managed by the Cabinet Office following the dissolution of the Audit Commission in 2015. Each authority has a responsible officer and data coordinator specialist. These are the Corporate Director of Resources and the Chief Internal Auditor respectively.
- 4.3.4 The current exercise started in autumn 2020 when data was supplied for matching purposes. These are coordinated centrally, some data quality checks are performed, for example, to ensure that forenames / surnames are not held in address fields and vice versa.
- 4.3.5 The data was submitted to the Cabinet Office in October 2020 and following data submissions by other organisations the outputs began to be released at the end of January 2021. These will be supplemented throughout the year as and when late data provider information is matched.
- 4.3.6 The datasets provided:
- Blue Badge Parking Permits (data provided by national software provider)
 - Concessionary Travel Passes
 - Creditors (Payment data and Supplier references)
 - Council Tax Reduction Scheme recipients
 - Council Tax Single Person Discounts
 - Housing Benefits (data provided by DWP)
 - Payroll
 - Resident Parking Permits
 - Single Person Discount
 - Taxi Drivers
 - Waiting List
- The following datasets were withdrawn from the national exercise due to limited matches and success in previous years. They remained discretionary and PCC took the decision to not include.
- Market Traders
 - Personal Alcohol Licence Holders
- The following datasets are normally collected as part of the exercise but a national decision was taken to defer these until later in the year.
- Personal Budgets
 - Private Residential Care Homes
- 4.3.7 The matched data is contained on a secure website and access is granted to selected

officers. The NFI system has its own inbuilt risk assessment system and this is used as guidance to prioritise those matches which need attention. Each report type is subject to a preliminary assessment and the high risk matches are reviewed first. There are usually extremely large volumes of matches received and consequently the risk rating allocated by the NFI is essential in helping prioritise the workload. Initial matches are as follows:

	Records (*)	High	Medium	Low	Total
Blue Badge Parking Permit	Unknown	334	82	7	423
Concessionary Travel Pass	25,567	614	538	1	1,153
Council Tax Reduction Scheme	14,004	28	14	391	433
Housing Benefit Claimants	Unknown	24	10	57	91
Payroll	1,789	3	0	33	36
Residential Parking Permit	559	1	2	0	3
Taxi Drivers	1,208	1	0	0	1
Waiting List	4,531	460	13	1	474
TOTAL MATCHES		1,465	659	490	2,614

(*) The number of records identified for that dataset and submitted for matching against other authorities etc.

4.3.8 Work is due to commence to verify the data in relation to these datasets. Key points which will also need to be addressed are:

- Data quality.
- Timeliness of records being updated.
- Other agency referrals.

4.3.9 Similarly results have been received in relation to creditor payments. The majority of datasets are based on the actual data as at 30 September 2020. For creditors this covers the previous 3 years (i.e. 1 October 2017 – 30 September 2020). The number of records submitted were 179,144 individual payments made during the period against 3,790 suppliers. This resulted in the following matches:

Payroll to Creditors	176
Duplicate Creditors (Various matches)	2,823
VAT Overpaid	330
TOTAL MATCHES	71

4.3.10 Previous exercises have noted the following observations:

- Payroll matches identify instances where an employee and creditor are linked by the same bank account or the same address which could indicate employees with interests in companies with which Peterborough is trading. This could indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.
- Duplicate creditors have been identified through a number of matches. Overwhelming, the majority of the matches can be linked to data quality. For example, the company name may have been misspelt or moved address but are linked by the same bank account. Similarly, a number of recurring quarterly payments have been identified, for example, energy payments.

4.3.11 Separate results are received in relation to Council Tax Single Person Discounts. The Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. Council taxpayers are under a duty to report within 21 days if they think they should no longer qualify for a discount. The Council has in excess of 26,000 households within Peterborough who currently receive the 25% discount.

- 4.3.12 While most residents are claiming the discount appropriately, there are likely to be a minority who are attempting to defraud the system. From the records submitted, PCC has 143,596 entries on the Electoral Roll and 87,344 on Council Tax. The potential anomalies for investigation to verify data held to look to cancel identified errors or fraudulent claims are shown below.

Council Tax to Electoral Register	3,251
Council Tax to Rising 18s	103

- 4.3.13 Matches identify addresses where the householder is claiming a SPD on the basis that they live alone yet the electoral register suggests that there is more than one person in the household aged 18 or over. The electoral register also includes details of individuals who are approaching their 18th birthday. Unless there is an exemption, for example, a student, then the single person discount would need to be revoked from the date of their birthday.
- 4.3.14 NFI continues to be an important exercise for detecting fraud across the public sector. With more and more datasets being requested and the increasing numbers of organisations matched against, there is a risk that this could become unmanageable to keep track of and do justice to the wealth of data and matches received.
- 4.3.15 Works are coordinated and investigated through Internal Audit currently but going forward greater ownership is required by the organisation to manage and regularly update its own records – enhancing the data quality so as to reduce the number of matches to those of highest fraud risk only.

4.4 **Business Grants**

- 4.4.1 Due to the national pandemic, numerous grants have been paid to local authorities for distribution across their areas. One such grant relates to businesses. To date, 3 separate schemes have been in place. This data is not part of the mandatory bi-annual NFI exercise, however an opportunity was made available to all authorities to use that tool to assist in verification of payments made.
- 4.4.2 Grant payments made to businesses have been coordinated through Revenues and Benefits. The basis of the payments are based upon records held within Business Rates and a number of additional checks were undertaken prior to payments being made. Data matching has focused on two keys areas, namely verification of the bank account and also an active company check. There is also a combined check. NFI has similarly risk assessed the matches so as to enable PCC to focus on the higher risks.

Submission 1	High	Medium	Low	Total
Bank Account Verification	17	204	659	880
Active Company Check	4	8	81	93
Combined	88	466	826	1,380
	109	678	1,566	2,353

Submission 2	High	Medium	Low	Total
Bank Account Verification	3	21	127	151
Combined	27	100	135	262
	30	121	262	413

- 4.4.3 Following on from this initial exercise, which was focusing on the legitimacy of the businesses being operational in each authority area this dataset is now to be mandatory for future matching against other authorities.

4.5 **Fraud Communications**

4.5.1 Regular communications are produced by the Cabinet Office to advise on the matches, case studies in relation to the exercise as well as its raising its profile. The latest edition for Members information is attached at **Appendix A**.

5. **CONSULTATION**

This progress report is subject to consultation with the Corporate Director of Resources and the Director of Law and Governance.

6. **ANTICIPATED OUTCOMES OR IMPACT**

Raised Audit Committee awareness of the policies and processes in place to investigate potential fraudulent activity against the Council.

7. **REASON FOR THE RECOMMENDATION**

To enable Audit Committee to meet an element of its Terms of Reference. Peterborough is subject to providing services with finite resources. The revised policies provide a clear steer on how the authority will look to reduce the abuse of, and fraudulent access to those resources. The outcomes from NFI provides Audit Committee with details as to the potential extent of fraud and corruption in a number of key areas.

8. **ALTERNATIVE OPTIONS CONSIDERED**

The Council cannot do nothing. This would not be the best use of scarce resources. The policies provide a platform for better monitoring and detection of fraud and corruption. NFI is a mandatory service.

9. **IMPLICATIONS**

Financial Implications

The investigation works undertaken to date are encompassed within existing budgets. The successes of these can lead to the recovery of overpayments, as well as increased Council Tax by the removal of single person discounts together with a potential small return due to additional civil penalties.

Legal Implications

None

Equalities Implications

None

10. **BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 None.

NFI MATTERS

Developing strategies to detect and prevent fraud



**The NFI -
delivering for you
today and tomorrow**

Inside this issue:

PILOT PIPELINE -
UPDATES AND FOCUS
ON INNOVATION

NFI MILESTONES -
DATES FOR
YOUR DIARY

NEW FEATURES
IN THE WEB
APPLICATION

FOCUS ON - RECORDING
COUNCIL TAX REDUCTION
SCHEME OUTCOMES
RELATING TO MATCHES
REFERRED TO THE DWP



Welcome to the 6th issue of NFI Matters

The last 12 months have been some of the most difficult in living memory for us all as we try to deal with the issues that the COVID-19 pandemic has caused. Despite these enormous challenges the NFI team would like to thank you again for your continued support. Hopefully as the COVID-19 vaccination programme starts to reach wider sections of the UK population we can begin to feel that there is light at the end of the tunnel and life can begin to return to something we are all more familiar with.

“Despite these enormous challenges the NFI team would like to thank you again, for your continued support”

A record number of NFI datasets were submitted on time for the 2020/21 data matching exercise. So thank you for your help in getting the data in on time. As a result we hope to be able to minimise the number of additional data match releases we have to issue in 2021. We know that minimising these match releases helps you to plan your investigation resource much more effectively.

Submissions of Council Tax and Electoral Register for this year’s annual Single Person Discount exercise were also above our expectations. Over the course of the 2019/20 annual Single Person Discount exercise, £26 million was identified by you, with just over 95% of overpayments being recovered. So those who engaged with us on this initiative have achieved some huge savings. Your hard work tracking down those continually claiming single person discounts when they are not entitled, is very much commended.

You will also see from the headline, in this issue of NFI Matters there is some really good information about all the innovative ideas we are working on with our IT partner, Synectics Solutions, to improve the effectiveness of the NFI.

There is a summary of the work we’ve been doing to improve the risk scoring functionality following the sessions we held with many of you last year. We have also included an update on our work widening the NFI data matching purposes with links to the consultation that opened on 10th February. We urge you to provide feedback on the consultation so please do send it through by 10th March deadline.

To try and give you some help and pointers for when you are reviewing your NFI matches, we have provided some milestones to follow that should ensure you get the best results (such as locating the most time critical matches to work on first, including those to students).

ALSO INCLUDED IN THIS ISSUE OF NFI MATTERS ARE:

New features in the web application - don't miss them!

FOCUS ON - Recording Council Tax Reduction Scheme outcomes relating to matches referred to the DWP

The changes that are being considered arising from our review of the NFI estimates of fraud losses prevented and detected

... And more

As always if you would like us to cover something specific in a future edition or contribute a counter fraud or NFI related article please contact me directly.

Yvonne Addison

Head of Operational Delivery and Communications, Cabinet Office

Contact us...

England
nfiquiries@cabinetoffice.gov.uk

Scotland
acairns@audit-scotland.gov.uk

Wales
david.rees@audit.wales

Northern Ireland
nficoordinator@niauditoffice.gov.uk

in this issue

04

Pilots - what's coming through the pipeline

06

Potential pilots and innovation themes

08

New features in the web application

09

We've enhanced our risk scoring in line with your feedback

10

New purposes update

11

AppCheck - Stop fraud at the door using the NFI fraud prevention and application verification solution

12

NFI Milestones - dates for your diary

14

FOCUS ON - Recording Council Tax Reduction Scheme outcomes relating to matches referred to the DWP

15

Review of estimates for the NFI 2020/21 exercise

16

Working with HMRC to bring you refined matches

Security - We've changed our password policy

17

What's happening around the UK

18

Premium Single Person Discount Matching Service

20

Mortality Screening from the NFI

What's coming through the pipeline

We know fraudsters are always looking for new areas to exploit and make money at our expense. We try to counter this threat by continually working with you, our counter fraud community, to come up with new ways of using data to identify fraud across the public sector - both for existing or for new emerging fraud problems.

79



ABOUT THE NFI PILOT PIPELINE

The NFI pilot pipeline includes ideas in various stages, ranging from those that are in their infancy and require further research, through to those where the case for undertaking a pilot is clear. Some ideas are abandoned early on, maybe because there is no clear legal gateway, or perhaps there is a lack of evidence of fraud. Pilots can be small, involving one organisation using just their own data, or larger - involving multiple organisations using data from within and between bodies and also third party data, perhaps from the private sector.

An update on pilots that have been undertaken recently

PILOT TITLE	SUMMARY	OUTCOMES	NEXT STEPS
Multiple Residents Parking Permits	A pilot matching parking permits within and between two London Borough Councils to identify where a permit holder was not eligible due to not residing at the qualifying property or it not being their main residence.	The pilot resulted in 60 passes being cancelled which was a particularly effective hit rate from the 158 matches released.	We will be promoting this matching to London Boroughs but we are also keen to hear from local authorities outside London where this is a risk to them.
Car Hire	A pilot targeting potential fraudulent misrepresentation of name and address details when hiring vehicles.	The pilot prevented 135 vehicles being rented where the applicant could not be verified to NFI data.	We are now rolling out this functionality as part of the business as usual process for organisations in this sector.
HMRC insight	A pilot in England using Digital Economy Act (DEA) powers to access HMRC data to identify potential fraud across a range of local authority services, specifically targeting 'undeclared property', 'undeclared or under declared earnings', and 'household composition'.	The pilot reported £8.8 million outcomes to the DEA Board in April 2020 but outcomes have continued to be reported since then and by 17th December 2020 stood at £12.4 million.	A phase 2 of this pilot to further explore the insight HMRC data provides has been approved by the DEA Board. We expect to release matches in March 2021.

The effect of the pandemic

The pandemic impacted on our capacity to deliver pilots, as we diverted resources to support the wider Cabinet Office work around COVID-19 fraud countermeasures. This included work to build the Experian 'Bank account verification and active company check' into the NFI tool for local authorities to undertake checks on Business Support Grants. We also carried out a small pilot with six local authorities to help us understand the remit of the matching to be undertaken as part of the mandate of local authorities Covid-19 payments data, matching of this data is now underway.

HOWEVER

...the supply of pilot ideas has kept flowing and we are now planning to deliver more pilots during 2021/22. **Please help us continue this flow - if you have an idea for a pilot and would like to understand our process please contact Nathan Nash (nathan.nash@cabinetoffice.gov.uk) and quote 'Pipeline2021' in the subject line.**

Potential pilots in the pipeline and innovation themes

Some examples of pilots currently in the pipeline

PILOT TITLE	SUMMARY
NHS Learning Support to Student Loans	Targeting potentially fraudulent access to financial support for NHS students.
Social Security Scotland	This is to match Social Security Scotland data to identify potential fraud particularly targeting household composition and misrepresentation of residency e.g. individuals fraudulently declaring residency in Scotland in order to access benefits.
Beds in Sheds	Targeting properties that potentially have illegal accommodation.
Council Tax (CT) Voids	Available as part of the Premium Council Tax Single Person Discount service. Targeting properties fraudulently declared as void where there is potentially a resident.
Disabled Facilities Grants	Targeting potential misrepresentation of residency in applications for grants, and multiple applications for the same individual.
School Admissions Fraud	Looking at where applications for school places include an address which is potentially not the applicants permanent address.

How we are seeking to innovate and grow the NFI

We are currently working closely with our contractors on a number of potential innovation themes. Work is underway to scope each theme and build a detailed timetable. The projects fit in with the NFI strategic themes to continuously innovate using the latest technologies and methodologies to prevent and detect fraud. As usual we are keen to get input from users so as our plans develop we will reach out to you!

INNOVATION THEME

SUMMARY

Data Visualisation	Building on approaches such as network analysis, this theme looks to improve the visualisation of potential frauds for users particularly where this is complex and involves multiple datasets.
Predictive Analytics	Building on and learning from the success of predictive analytics to identify fraud in other sectors, use the NFI data and associated outcomes, to better predict where fraud may occur in future.
Management Information	Management Information (MI) plays a key part in the NFI Team's work and the number of different reports has grown exponentially. MI is used to validate the accuracy of outcomes reporting, understanding our impact, and refining our approach. We also appreciate it's very important for users to quickly and easily understand the impact of the NFI on their organisations so the review will cover all MI reports.
Automation of data collection	Submission of data for the main NFI exercise is a huge collaborative effort between participants extracting and submitting the data and the data then being processed ready for matching. We want to look at ways to reduce the burden and improve the regularity of data coming in to the NFI. The vision is to get to a situation where you can push the data into the NFI automatically and/or you can allow us to pull the data ourselves where possible. Of course this will be a big step so we'll start small.
AppCheck for Companies	Build a facility to undertake checks on companies. The work to date on business support grants has shown the value in utilising the data and technology the NFI holds to facilitate checks on companies. We will work with you to better ensure we understand your needs and to help shape this work.
Internal Fraud Hub	Building a facility within the NFI to allow participating government departments to check where individuals applying for employment may have previously been dismissed.



FraudHub

PREVENT MORE FRAUD BY BUILDING A TAILOR-MADE COLLABORATIVE COMMUNITY

FraudHub enables organisations to come together to share intelligence and insight to help identify and stop potential fraud.

FraudHub provides local authorities and other public sector organisations with the opportunity to work together to detect or prevent fraud or errors by sharing data in a secure way using proven techniques.



Contact us today

Tel: **0845 345 8019**

or
Email: **helpdesk@nfi.gov.uk**

to find out more about how you could build your own fraud prevention community specific to your location.

New features in the web application

A NEW LOOK FOR THE NFI GUIDANCE

We have overhauled our guidance to make it more user friendly and interactive. The new-look guidance can be found within the Help & Guidance section of the web application.

The guidance is an essential part of your toolkit that seeks to help you get the most out of the NFI, explains the purpose of the matches and highlights tips and tools that will make your review really efficient.



OTHER NEW FEATURES THAT YOU SHOULD LOOK OUT FOR...

+ Keyword Search

Type in a word or title/partial title of e.g. a guidance document and it will look for it and give a link to go directly to it.

+ Export

Ability to export just the columns from a report you require rather than all columns in the report and we have added an option to merge matches and comments into one export file.

+ Navigation

A 'Go to Match' option in a report so you can locate a match quickly rather than paging through.

+ Senior Responsible Officer changes

A tool that allows the Senior Responsible Officer or Key Contact to notify us of changes to Senior Responsible Officer contact details through the web application.

+ Outcomes recording

A Bulk Outcomes Upload tool is now provided in reports 52, 801, 803 and 814 - users download and complete a template, upload the template back into the web application and outcomes are added automatically. Guidance on how to use this new feature can be found in Section 8 of the new guidance.

+ Tooltips

To explain the categorisation of the Report Summary totals within a report i.e. Processed, Investigating, Cleared, etc.

+ Improvement to shared matches

Not all matches are shared with both organisations. There was a facility to enable the organisation with the match to share it with the other party but we have developed this so that you can now share comments on the match within the secure web application.

+ User Administration

The Key Contact or Senior Responsible Officer are now able to export the email addresses of the live users to correspond with over the NFI. A comment can also now be added against user accounts.

+ Matches referred to the DWP

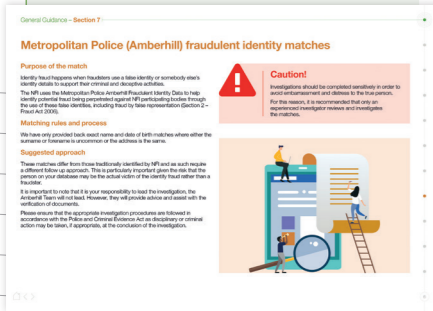
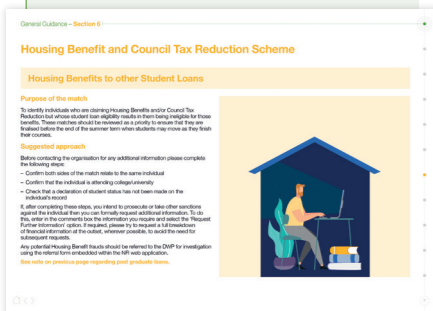
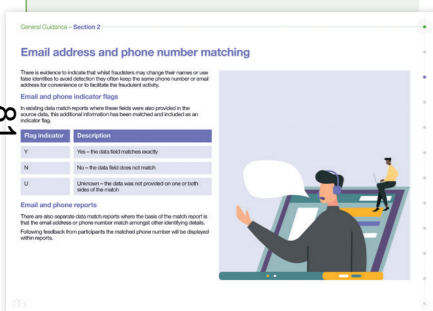
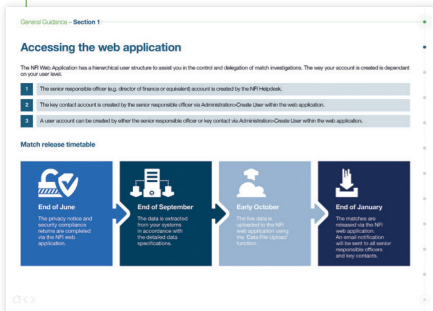
You can now reopen a housing benefit match referred to DWP if they subsequently notify you they do not want to investigate it with the new 'Revert Referral' button. This will enable you to record local outcomes e.g. council tax reduction scheme weekly reductions and overpayments.

+ Quick Links & Favourites

Two mini tabs have been added to the Home page where commonly used NFI pages or your own frequently visited pages can be stored.

+ Match filters

A dynamic filter on the 'Creditor Name' and 'Remarks' fields in trade creditors reports to allow you to prioritise matches for investigation.



If you need help using these new tools/features please do not hesitate to contact us for assistance.

We've enhanced our risk scoring in line with your feedback



We have been working closely with users over the last few months to further develop our approach to risk scoring the NFI matches. We did this through a user survey and three Town Hall sessions. The Town Hall sessions were a new way of engaging with users. We appreciated participation from a range of users/organisations, which provided valuable insight into how we can effectively support your needs. This has helped us to prioritise targeted developments over the coming months.

We have been working closely with our developers to enhance risk scoring functionality to more accurately reflect risk and to clearly signpost risk level. We hope this will help users in prioritising and allocating resources to review and investigate matches. We see this as a continuous journey, where we may make small tweaks each year. Capturing outcomes in the web application is essential to improving risk scoring as we can learn which match types are most effective.



Thank you to all those who sent feedback and attended Town Hall sessions. A number of enhancements were identified in addition to those outlined above which are being reviewed for addition in the future.

Enhancements

- + Addition of VH, H and M risk icons against matches along with the corresponding percentage risk scores
- + Change the default navigation from the NATIONAL EXERCISES menu from Fraud Risk view to the Matches view
- + Refinement of techniques used to generate recurring prior year matches using 2018/19 statuses (Closed - Already Known, No issue) to reduce unnecessary referrals in 2020/21

Coming soon

- + A way of identifying internal as opposed to external payments for NHS creditor reports to allow organisations to consider how they prioritise review of matches i.e. external creditors payments may be deemed higher risk
- + The ability to create custom filter combinations
- + A way of marking matches of interest e.g. a 'favourite' status
- + Addition of risk scores and filters in HMRC reports



New purposes update

In issue 4 of NFI Matters we told you about our work looking at whether we should widen the NFI data matching purposes as set out in the Local Audit and Accountability Act 2014. In doing so we have also been looking at possible updates to the NFI Code of Data Matching Practice.

To recap the powers are:

- 82  to assist in the prevention and detection of crime (other than fraud)
-  to assist in the apprehension and prosecution of offenders
-  to assist in prevention and detection of errors and inaccuracies
-  to assist in the recovery of debt owing to public bodies

We launched a public consultation on 10th February. The consultation documents are available on GOV.UK and will be open for responses until 10th March. We would encourage you to review the consultation documents and respond at your earliest convenience. You can respond online or by email. The results of this consultation will be instrumental in determining the way forward.

Our research shows that the data matching purposes will create longer term efficiency savings that will help public services. Work to enact the purposes was one of the five key objectives set out in the NFI strategic delivery plan 2018 to 2022.

The proposals focus on increasing NFI's operational efficiency and value for the public sector. Early estimates suggest that by better utilising data already collected by NFI, supplemented by additional data collection where appropriate, enactment of these powers could deliver early efficiency savings (within the first 3 years) of at least £10 million a year to key public sector organisations. We would expect savings to be far greater over a longer time period. Critically, research shows that there are clearly important wider outcomes for citizens overall i.e. the data matching powers would help:

-  **The police solve crimes other than fraud, or find offenders more efficiently than is currently the case**
-  **Local authorities and government departments to reduce debt owed to public bodies while adhering to the Fairness in Debt Management Principles**
-  **Agencies or departments to reduce any errors that might exist in official data records and thereby helping to deliver more effective services or to ensure citizens receive the benefits they are entitled to**

For further information contact nfiquiries@cabinetoffice.gov.uk



AppCheck – Stop fraud at the door using the NFI fraud prevention and application verification solution



Watch the training video
on the NFI web application to see how AppCheck works and how it could help you to save time, resources and reduce fraud even further in your organisation.

AppCheck is designed to allow users to quickly ascertain if there are any factors affecting the eligibility of an individual to benefits and services and/or check identity.

AppCheck ensures that all applications are vetted, helping to provide your organisation with an effective fraud prevention process. The real time functionality will return a match or all clear reports within seconds of an application search being made. This makes the product ideal for usage within both call centres or by frontline operatives. AppCheck is an online service delivered by a secure web application. There is a hierarchical user structure to control access and monitor searches that have been conducted within your organisation.

-  **Reduce the risk of your organisation falling victim to fraud by stopping invalid or fraudulent claims at the point of application**
-  **Reduce administration and future investigation costs by managing the risk of getting it wrong at application**
-  **Reduce or stop the provision of invalid or fraudulent payments**

AppCheck provides built-in risk flags and intelligent colour coding to make it easier to identify genuine applications or prioritise referrals for further investigation. Key data sources are brought together into one system for ease of use, including the ability to run a further check against Credit Reference Agency (CRA) data.

This software can be used by multiple teams within your organisation at the same time to ensure your whole organisation is covered.

Getting started is quicker and easier than you think...

...and if you have not already done so we are still offering a **FREE TRIAL** of the service.

Please email: helpdesk@nfi.gov.uk or call **0845 345 8019**



NFI Milestones

dates for your diary

Here are some key milestones based on our analysis of activity within the web application, to help you plan your approach to the NFI exercise.



2021

Feb 21

All time-critical/very high risk matches (i.e. deceased and student related) should have been allocated to investigators to action. As soon as you have outcomes, for example, from concessionary travel and blue badge reports please record them in the web application.

Top Tip

To help Users locate the matches you want them to investigate quickly we urge you to use the Assign User tool within reports. Assigning matches to users generates a personalised 'My Matches' tab where all the matches are stored in one place. Refer to the Guidance - Section 4 for details on how to use this tool.

Mar 21

Refreshed data from the national exercise received by the 1 December deadline should be available for matching against in ReCheck and AppCheck. We will also use this data to commence production of your report 803 Council Tax to NFI data (as applicable).

Apr 21

Report 803 Council Tax to NFI data will be released into ReCheck.

May 21

The remainder of the 2020/21 match reports should have been reviewed, matches selected and allocated for investigation. **Matches not selected should be 'Closed - Not Selected for Investigation'.**

Jun 21

Start to prepare data for additional mortality screening ready for the June submission deadline.

Sep 21

Outcomes from investigations should be feeding through so they can be recorded in the relevant reports. **You should be identifying case studies to pass to the NFI team to promote your successes.**

Oct 21

Start to prepare for the annual Council Tax Single Person Discount (CTSPD) exercise and submission of Council Tax and Electoral register data. Submission opens on 1 December.

Top Tip

You could get ahead by setting up your templates ready to create automated follow-up charge payer letters directly from the matches, to print and distribute locally (or use the templates we have prepared for you). Full details on how to use this tool are provided in the Council Tax Single Person Discount Guidance under the Help menu.

Nov 21

Start to prepare data for additional mortality screening ready for the November submission deadline.

We will be starting to look through the web application for any cases that are particularly noteworthy that demonstrate your hard work. If you have any you would like us to work with you on please contact us.

2022

Jan 22

Ensure you have uploaded your Council Tax and Electoral Register submissions before the end of January deadline, to generate your Council Tax Single Person Discount matches.

Feb 22

The majority of 2020/21 investigations will be completed. **Work may still be ongoing on CTSPD matches, but we urge you to record interim outcomes at the end of February** rather than wait until all work has been completed. You can update the figures in the web application when all work is completed. Why not use the new bulk outcomes upload tool mentioned on page 8.

Mar 22

It is important that outcomes are recorded promptly and accurately so the NFI Team can calculate the outcomes from the 2020/21 national exercise as at 31 March 2022, to be reported nationally.



FOCUS ON

Recording Council Tax Reduction Scheme outcomes relating to matches referred to the DWP

One of the improvements we have made in the Housing Benefit report for the 2020/21 exercise is to allow you to reopen cases that had been referred to the DWP for investigation using a new Revert Referral button within the Comments/Outcomes box.



The main reason we have done this is so that you can record reductions and/or overpayments of Council Tax Reduction following either a DWP investigation or a local investigation. You can also use this new facility to reopen a match to record other overpayments from a local investigation should the DWP have notified you that they did not wish to proceed with the investigation. The case should then be closed 'Closed - Error'.

Use the multiple occurrence link to coordinate investigations



When we are preparing matches for release, if we find another occurrence of the matched individual in a different NFI report we will connect them by adding a hyperlink to their surname. If you click on the surname, the location of the other match(es) are displayed along with other useful information such as the title of the report the individual appears in. You can then consider the other match(es) alongside your current investigation.

Another way of reviewing individuals that appear in more than one report is to look at Report 9999. You can use the filter tool within this report to highlight e.g. where an individual appears in 3 or more NFI reports; appears more than once in the same report; or appears in reversed reports. Refer to Section 5 of the NFI guidance (Communicating with other organisations) for more help with Report 9999.

WARNING - be careful not to record the same overpayment in multiple places as it will overstate your overall NFI outcomes.

If you have any feedback on this please contact nfiqueries@cabinetoffice.gov.uk



REVIEW OF ESTIMATES FOR THE NFI 2020/21 EXERCISE

changes that are being considered

We are in the process of completing a review of our fraud prevention and detection estimate methodologies to ensure they are based on current research and fit for purpose. Approved changes will be applied to the 2020/21 web application.

Each NFI dataset has its own methodology to calculate the estimated element of fraud prevented/detected.

THESE TAKE INTO ACCOUNT:



Data relevant to the fraud problem, including national published data and data from previous NFI cases



The policy context relative to the fraud problem



Any regional variances that may result in the generation of estimate methodologies specific to a region or area



Alignment (where possible) with relevant estimated savings methodologies used in other central government departments

GOVERNANCE PROCESS

Changes to estimates are shared with Audit Scotland, Northern Ireland Audit Office and the Audit Wales for initial approval.

We then present them to the Cabinet Office NFI Governance Board.

Finally we take them to the Cabinet Office Fraud Prevention Panel for approval. The Cabinet Office Fraud Prevention Panel consists of five cross government counter fraud experts who review and challenge, where necessary, methodologies for calculating the estimated value of fraud prevention initiatives across all government departments.

Once confirmed with the Fraud Prevention Panel the methodologies are built into the NFI web application, so your estimated savings for the outcomes you record can be automatically generated.

The following changes being explored for 2020/21 include:

Right to Buy - to reflect changes in house prices and Right to Buy discounts in England and Northern Ireland and cessation of the Right to Buy scheme in Wales

Recovery of a property (Northern Ireland) - to reflect the latest research from Northern Ireland Housing Executive

Recovery of a property (England) - a review of the current 'annual cost of temporary accommodation' aspect of the methodology

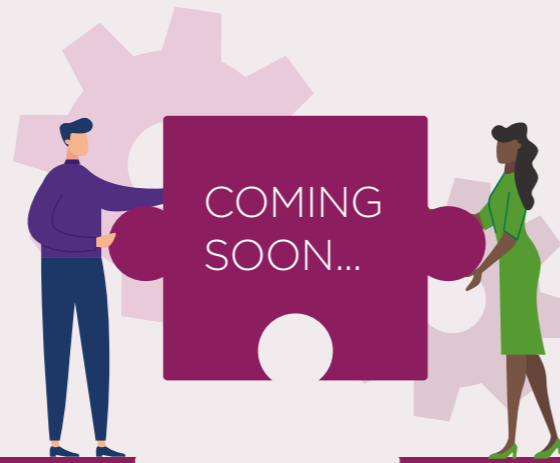
You can see your estimated savings at match level when you record outcomes. To view the overall outcomes for your organisation, including the estimated savings by dataset, open the applicable 'Outcomes Summary report (Form 4)' MI report, available in the 'Management Information' section of the web application.

Once finalised, a full breakdown of NFI 2020/21 estimated savings methodologies for each dataset will be available on the Help & Guidance menu.

For further information contact Susan Baker via nfiqueries@cabinetoffice.gov.uk



Working with HMRC to bring you refined matches



Following the successful pilot in England using HMRC information, identifying around £12.4 million of outcomes (as at 17th December 2020), we have been able to secure agreement to use the Digital Economy Act (DEA) 2017 and the Local Audit and Accountability Act 2014, to carry out a second pilot.

We are working closely with HMRC to make refinements that will reduce false positives and produce even better quality matches for participants to investigate. Wales is now on the DEA schedules and therefore Welsh Councils will also be included in the matching this time.

The matches will once again be concentrated on identifying undeclared property ownership, non or under declared earnings and capital along with misrepresentation of household composition.

Access to HMRC data presents a great opportunity and we would encourage participants to make the most of the matches as we anticipate that outcomes could exceed

those reported for the initial pilot. We welcome support and engagement from local councils in England and Wales to maximise the benefits of this matching. If the results continue to be significant the next step will be to consider how best to incorporate HMRC data into NFI in future.

If you are in Scotland or Northern Ireland, inclusion in the DEA schedules is under consideration. Subject to that happening, Scottish and Northern Irish councils could benefit from these matches next time.

SECURITY

We've changed our password policy

In November 2020, based on the latest guidance from the National Cyber Security Centre, we changed the way we ask you to create a password and the frequency we ask you to change it.

It is considered that enforcing password changes may increase risk of password discovery as users write passwords down, and/or increment a numeric element meaning they may be more readily deducible based on historic passwords.

Security of your login to the NFI system is also strengthened by 2-factor authentication. In addition, monitoring and periodic review of user activity such as out-of-hours logins helps to identify patterns of suspicious activity. Accounts are also temporarily locked out after multiple login attempts with incorrect passwords are attempted.

Useful reading:

https://www.ncsc.gov.uk/files/password_policy_infographic.pdf

<https://www.ncsc.gov.uk/collection/small-business-guide/using-passwords-protect-your-data>

https://www.microsoft.com/en-us/research/wp-content/uploads/2016/06/Microsoft_Password_Guidance-1.pdf

What's Happening Around the UK

Northern Ireland Fraud Risk Guides

The NFI Coordinator for Northern Ireland, Valerie Evans, has highlighted the work done in 2020 by the Northern Ireland Audit Office (NIAO) to raise awareness of increased fraud risks due to the Covid-19 pandemic.

"In terms of exceptional years, 2020 will be difficult to beat. The impact of Covid-19 has led to crisis and dramatic change across the globe, but there is one group of people who relish such circumstances, seeing them as a golden opportunity - fraudsters."

"Huge volumes of emergency grant payments administered at speed, dramatic changes in demand for certain types of products, a massive increase in remote working, a surge in online shopping during lockdowns - all of these provide significant opportunities for fraudsters, and pose serious threats for both organisations and individuals. There is already clear evidence that fraudsters have been quick to seize upon such opportunities, with regular stories in the media about organisations and individuals suffering financial loss as a result."

"The NIAO has worked with the Cabinet Office in relation to taking forward additional data matching around business support grants. In addition, we have been keen to raise awareness of the increased fraud risks, and in recent months have produced two guides - on Covid-19 fraud risks and procurement fraud risks - both available on our website at <https://www.niauditoffice.gov.uk/publications/type/goodPractice>."

"The guides provide a quick point of reference for Northern Ireland public sector organisations and set out the mitigating controls that can be put in place to minimise the risk of losses to fraud."



Self-Appraise your involvement in the NFI with these checklists

for Scottish and Welsh participants

A two-part checklist, designed to help all participating NFI bodies self-appraise their involvement in the NFI prior to and during the NFI exercises, is available for Scottish and Welsh participants. Part A is designed to assist audit committee members and Part B is for officers involved in the NFI exercise. Some suggestions for improving the efficiency and effectiveness of reviewing and investigating NFI matches are also included.

Scottish Checklist:

National Fraud Initiative **Self-appraisal checklist**

Welsh checklist:

National Fraud Initiative **Self-appraisal Checklist**

Premium Single Person Discount Matching Service

GET A COMPREHENSIVE VIEW OF INDIVIDUALS CLAIMING COUNCIL TAX SINGLE PERSON DISCOUNT

Even if you have already uploaded your data for the annual NFI Council Tax Council Tax Single Persons Discount (CTSPD) exercise it's not too late to upgrade to our Premium CTSPD matching service to gain access to a more comprehensive view of your single person discount claimants' data footprint.

Price freeze at 2019 levels of just **28p per record**

One of the NFI's main objectives is to help you drive down the cost of fraud through continued product development and improvement. We believe this premium service gives you an enhanced view of the individuals claiming a single person discount. Combining credit reference data and the wide range of information held in the NFI data sets, can provide a more complete data footprint for a household, helping you identify undeclared changes of circumstances. Our continued partnership with one of the UK's leading credit referencing agencies delivers this seamless service.

The Premium CTSPD matching service will allow you to focus your resources effectively on investigating individuals based on the data footprint and appear to no longer be entitled to the discount. We provide clear risk scores for each record allowing you to drill down to review the record prioritising your work streams or areas of focus where you believe your organisation may be exposed to risk. The service also allows you to identify genuine customers whose entitlement is correct.

By using this premium service, you are protecting public services by:

- + Ensuring individuals are not receiving discounts they are no longer entitled to
- + Maximising the revenue from council tax collection
- + Reducing fraud levels for your organisation
- + Maintaining up to date customer records
- + Enabling eligible individuals to receive the discount they are entitled to

Councils that have used the premium service have reported actual, and prevented savings as a result of removing entitlement to the discount, of just over £4.3 million with 99.7% of actual overpayments recovered.

The service provides you with:



Confirmation of the claimants **current residence**



Verification that the claimant is **living alone**



Additional insights relating to **other individuals who may be living at the address who have not been disclosed**



Premium Single Person Discount Matching Service BARNLSLEY CASE STUDY

Increasing Council Tax Revenue with the Premium Council Tax Single Persons Discount Matching Service available through the NFI

Minimising fraud and irregularity is vital in ensuring resources intended to provide essential services to Barnsley residents are used for that purpose. The Council's Corporate Anti-Fraud Team is located within Internal Audit. The Team balances pro-active counter fraud work with investigations into allegations of

frauds and irregularities, fraud detection initiatives and identification of losses enabling the recovery of Council funds.

In addition, the team supports the application of appropriate sanctions including: prosecutions, cautions and disciplinary action.

APPROACH/SOLUTION

The Corporate Anti-Fraud Team coordinate the NFI exercise on behalf of the Council and are responsible for the review and investigation of many of the matches.

The Council's Benefits and Taxation Department also gets involved in the exercise, filtering and investigating the Council Tax Single Person Discount (CTSPD) matches. In 2019, the Department decided to use the Premium Council Tax Single Persons Discount matching service available through the NFI. This service offers enhanced checks on the single person discount and electoral register information already submitted as part of the mandatory annual NFI CTSPD exercise.

Just over 2,000 non council tax support records already identified in the mandatory exercise were targeted for the premium service.

VALUE ANALYSIS

The returned matches were displayed in the NFI secure web application in a dashboard format which made it easier for users to review and prioritise investigations. To date the Council has successfully generated £172,447 in increased council tax revenue due to the successful removal of single person discounts being claimed fraudulently or in error.



£172,447
IN INCREASED
COUNCIL TAX REVENUE

A spokesperson from Barnsley Council said:

"Using the NFI Premium CTSPD is a simple, cost-effective way to maintain the accuracy of the council tax database. We were able to target non council support records only and check matches against other sources of data, at a time that suited the Corporate Anti-Fraud Team and the Benefits and Taxation Department."

WANT TO FIND OUT MORE?

For more information about how to take up this service please contact the NFI helpdesk on **0845 345 8019** or email helpdesk@nfi.gov.uk

Mortality Screening from the NFI



The NFI has access to the most comprehensive and accurate data for Mortality Screening - and we are continually looking to improve

In a time of devastation and upheaval following the death of family members, failing to report the death in a timely manner will no doubt happen, but there is the more serious risk that criminals will take advantage in such situations and fail to report a death with the intent to commit fraud.

On a pilot basis we will look to improve the completeness of records received for mortality screening by appending data to poorly populated fields from other NFI data, for example, turning an initial into a full forename. This should result in matches with stronger matchkeys.

The NFI offers two mortality screening services:

Mortality Screening via the National Exercise - DWP screening every 6 months

Twice a year we access the deceased persons file held by the DWP. This data also contains National Insurance numbers which can be used as a matching field alongside name, date of birth and address. The data also holds details of some British Citizens who have died abroad and this has proven very successful particularly when administering pensions. Data is uploaded through the 2020/21 National Exercise, Data File Upload tool.

Dates to remember:

Friday, 25th June 2021

Data for the summer 2021 screening will be required no later than Friday, 25th June 2021.

If you wish to submit data please register your interest by emailing the NFI helpdesk@nfi.gov.uk or call **0845 345 8019**

Mortality Screening via ReCheck - On demand DDRI

We are in the unique position to have access to the Deceased Death Register from the General Register (DDRI). You can screen against DDRI at any time and results are usually available on the web application the same day. Data is uploaded through the ReCheck, Data File Upload tool.

Fees for the above services can be found on our **website**.



Cabinet Office

For technical queries relating to the web application:

Call: **0845 345 8019**

Email: helpdesk@nfi.gov.uk

For general queries contact:

England: nfiquiries@cabinetoffice.gov.uk

Scotland: acairns@audit-scotland.gov.uk

Wales: david.rees@audit.wales

Northern Ireland: nficoordinator@niauditoffice.gov.uk

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 7
22 MARCH 2021	PUBLIC REPORT

Report of:	Fiona McMillan, Director of Law and Governance & Monitoring Officer	
Contact Officer(s):	Ben Stevenson, Data Protection Officer/Head of Information Governance	Tel. 01733 452387

USE OF REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

R E C O M M E N D A T I O N S	
FROM: Fiona McMillan, Director of Law and Governance & Monitoring Officer	Deadline date:
<p>It is recommended that the Audit Committee</p> <ol style="list-style-type: none"> 1. <i>Notes the outcome of the inspection of Peterborough City Council by the Investigatory Powers Commissioner's Office (IPCO)</i> 2. <i>Notes the use of powers within the Regulation of Investigatory Powers Act (RIPA)</i> 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a scheduled report on the Council's use of the powers contained within the Regulation of Investigatory Powers Act (RIPA)

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide Members with an overview of the following items:

- an understanding of RIPA which enables them to have effective oversight of the use of said powers
- a report detailing the usage of the powers
- the inspection by the Investigatory Powers Commissioner's Office (IPCO) in February 2021 and the subsequent feedback received on 2 March 2021.

2.2 This report is for the Audit Committee to consider under its Terms of Reference No. 2.2.1.13

To monitor Council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
---	-----------	----------------------------------	--

4. **BACKGROUND AND KEY ISSUES**

4.1 Local authorities exercise criminal investigation powers for a number of reasons from fly tipping to planning enforcement to sale of counterfeit goods. The Council may undertake covert surveillance to investigate such matters and that work will be regulated by RIPA. It also provides a statutory process for authorising such work.

RIPA seeks to ensure that any covert activity undertaken is necessary and proportionate because of the impact on an individual's right to a private life under Article 8 of the Human Rights Act. In undertaking such activity the Council are in effect suspending a person's right to privacy. RIPA seeks to ensure both the public interest and the human rights of individuals are balanced.

The Council is able to undertake directed surveillance meaning that it must be for the purpose of a specific investigation or operation. The Council is not permitted to undertake intrusive surveillance, i.e. surveillance in private premises or vehicles.

4.2 Covert surveillance might mean the use of CCTV to monitor an individual's movement or their actions. Whilst the CCTV camera itself is overt, it is the use of that camera to track that individual's actions without that individual knowing which makes that act covert. The Council may also use underage volunteers to purchase tobacco or alcohol whilst being filmed. The viewing of CCTV footage *after* an incident does not constitute covert surveillance and therefore does not fall under RIPA.

4.3 RIPA also permits the Council, via the National Anti-Fraud Network (NAFN) to require the release of communications data where the appropriate circumstances exist. We can obtain information which identifies the subscriber to a mobile phone and to see a call history but we cannot gain access to the actual content of calls. In an investigation into a rogue trader, we could link the contact number to the person and others called. We cannot obtain access to electronic data protected by encryption or passwords, which would include emails.

4.4 The Council may also authorise the use of a Covert Human Intelligence Source (CHIS) to obtain information from individuals in a covert manner such as a Trading Standards officer using a pseudonym to carry out a test purchase online. It may also apply to the tasking of a member of the public to obtain private information about an individual. It should be noted that the Council has never authorised the use of a CHIS since the commencement of RIPA.

4.5 In addition to RIPA, the Protection of Freedoms Act 2012 introduced two key important provisions for local authorities such as Peterborough City Council. The first is that in order for the Council to apply for approval, the offence being investigated must meet the *crime threshold*. This means that either the offence carries a maximum punishment of imprisonment of six months or more or it is an offence relating to the sale of tobacco or alcohol to underage individuals.

The second key factor is the approval process. Any investigations must be properly authorised by one of the Council's Authorising Officers in accordance with our policies and procedures. In addition, the council must also obtain judicial approval from a Justice of Peace i.e. district judge or Magistrate.

- 4.6 The last IPCO inspection concluded that Peterborough City Council had a clearly written and robust policy alongside an easy access guide available to officers as well as a reporting structure in place along with a well-regarded set of officers with strong experience and knowledge of RIPA matters. These officers and policy are also shared with Cambridgeshire County Council.

5 IPCO INSPECTION

- 5.1 The Investigatory Powers Commissioner's Officer (IPCO) provides independent oversight of the use of investigatory powers by intelligence agencies, police forces and other public authorities. As part of this oversight, they undertake inspections to assess compliance, provide guidance and assurance that such powers are being used appropriately and in line with the legislation and codes of practice.

Local authorities are inspected on a two to three year basis. Both councils were last inspected in 2018. The outcome of that inspection was reported to this committee and the recommendations to update the councils' policy was noted, and actioned.

- 5.2 The councils were notified of an inspection by IPCO in January 2021.

It has become apparent to IPCO that in recent years, that for a variety of reasons, which include reduced resources, greater access to data-matching and the use of overt rather than covert law enforcement activity, authorities like ours have granted far fewer RIPA authorisations.

IPCO are in the process of reviewing their approach to inspections but in the short term and given the pandemic, they have adopted a more flexible approach by using video calling.

- 5.4 Prior to the inspection, the council had identified a change needed for the policy to ensure clarity over investigation material retention and destruction. It also wished to update the policy to strengthen guidance for staff over the usage of social media in investigations. As an inspection was forthcoming these amendments were put on hold until they had been discussed with the inspector to ensure that the council's guidance was accurate, practical and in line with IPCO recommendations.

- 5.5 As a result of the inspection, feedback was provided and again is very positive. The feedback highlighted:

- The one recommendation from the 2018 inspection has been discharged and no further recommendations have been made following the 2021 inspection
- Elected Members are informed of the council's usage of powers in line with the Codes of Practice
- The council was alive to the possibility of social media research being undertaken and its training material assist staff in ensuring this research does not move into surveillance territory without authorisation in place
- The inspector commented how pleasing it was to see the array of training materials including simple to understand videos for staff and highlighted this as demonstrating good practice
- There are clearly defined processes on the handling of evidence/material gathered as well as the destruction of such material in line with the retention schedule for the services concerned
- The policy should be updated again to include reference to the appropriate sections of the CHIS Code of Practice in relation to social media

5.6 Having highlighted the need for the addition of sections from the CHIS Code of Practice, the ability of the council to monitor the use of social media through policy and audits of access was discussed. Whilst the council has the ability to undertake reviews of individual officer's internet usage history in some situations, this must also be proportionate and necessary. Officers will reflect on how best to ensure appropriate controls are in place but also key to this is ensuring that officers understand when and how they should use social media to investigate.

5.7 A reviewed policy will be brought back to this committee during the coming year which will address the above points.

6. SURVEILLANCE UNDERTAKEN

There has been no use of covert surveillance in the last 12 months.

7. CONSULTATION

7.1 The report following the inspection was received by the following parties:

- Chief Executive; and
- Director of Law and Governance

8. ANTICIPATED OUTCOMES OR IMPACT

8.1 The Audit Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority through regular updates as required. We will also be presenting an updated policy in due course.

9. REASON FOR THE RECOMMENDATION

9.1 It is recommended that the committee continues to receive information on the use of RIPA and receives an updated draft policy based on the changes in the Code of Practice and the IPCO inspection.

10. ALTERNATIVE OPTIONS CONSIDERED

10.1 There are no alternative options considered at this time.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 Regulation of Investigatory Powers Act 2000
Protection of Freedoms Act 2012

12. APPENDICES

12.1 Appendix A – Letter from IPCO



Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

Ms G Beasley
Chief Executive
Cambridgeshire County and Peterborough City Council

1 March 2021

Dear Chief Executive,

IPCO Surveillance and CHIS inspection of Cambridgeshire County and Peterborough City Council

Please be aware that IPCO is not a “public authority” for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

Your Authorities were recently the subject of a joint remote inspection by one of my Inspectors, [REDACTED]. This was facilitated by Ms Fiona McMillan, Director of Law and Governance, as the Senior Responsible Officer (SRO), and Mr Ben Stevenson, Head of Information Governance and Data Protection Officer, via MS Teams, together with preceding supporting documentation provided. There are no formal recommendations as a result of this inspection process.

There was one previous recommendation emanating from the 2018 inspection conducted by [REDACTED], in relation to revising the draft RIPA policy in line with the agreed amendments. Principally, clarification on the role of a CHIS and the authorisation process, and structured oversight of the use of the internet and social media. This recommendation can be discharged with a slight caveat that the policy still requires reference to paragraphs 4.11 - 4.17 of the Home Office CHIS Code of Practice when using social media.

I note that the Authorities' policies and non RIPA usage are put before the respective Elected Members on an annual basis through the Audit/Audit and Accounts Committees, in accordance with paragraph 4.47 of the Surveillance Code of Practice.

Whilst your Authorities have not exercised their RIPA powers for a considerable period of time, it was clear they are alive to the possibility of online social media research being carried out. This, combined with specific training material and management oversight, should provide assurances that any research undertaken does not drift into surveillance territory without the appropriate authorisation being in place. Continuing consideration should also be given to the oversight and governance of any future covert structures and subsequent evidential capture of material.

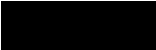
Cambridgeshire and Peterborough have also emphasised to staff within the policy that personal profiles should not be used for council business, and this should be reiterated regularly as it is incumbent on you to ensure the safety and security of the staff. The dangers aligned to using personal social media accounts for business purposes, especially those of a covert nature, should not be underestimated and all staff should be cognisant of their own personal online security and of the vulnerabilities attached to using any insecure or personal online platform.

There have been no authorisations for the use and conduct of a CHIS. This reflects the widespread practice common amongst local councils of never or rarely authorising CHIS. The possibility of status drift was discussed in relation to the monitoring of information provided by members of the public, as well as online activity. Both Ms McMillan and Mr Stevenson are confident that sufficient awareness exists amongst staff to be alert to any potential status drift.

It is understood that your Authorities are registered with the National Anti-Fraud Network (NAFN) for the purposes of obtaining communications data, and do so on an infrequent basis. The extension of powers introduced by the Investigatory Powers Act 2016, to include details of in and out call data and cell site location, represents a significant opportunity to enhance investigations, and in addition, registration with NAFN also provides lawful access to other forms of data from the DVLA, Equifax and a variety of other financial/fraud check organisations.

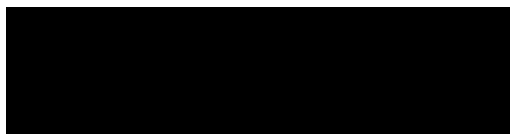
It remains of great importance that officers engaged in investigatory or enforcement areas where RIPA considerations are not so immediately apparent, maintain their levels of knowledge and know whom to approach for guidance. It is therefore pleasing to note that an array of training material is available to staff.

As part of the inspection process, your Authorities' stance on the review, retention and destruction (RRD) of documentation was also assessed. The Central Register is comprised of a spreadsheet held by Mr Stevenson. There are clearly defined data pathways for the handling of material captured by way of an authorisation under the legislation. In essence, any investigative files are held within the relevant Service department i.e. Trading Standards, until they are shared with Legal Services. There is an ICT Security policy which covers the handling of all material held, with specific responsibility for each Head of Service to trigger the review and destruction process.

 would like to thank both Ms McMillan and Mr Stevenson for their engagement at a time of increased demands on local authorities. I hope that this video-based inspection has proved to be helpful and constructive. My Office is available to you should you have any queries following the inspection, or at any point in the future. Contact details are provided at the foot of this letter.

I shall be grateful if you would acknowledge receipt of the report within two months.

Yours sincerely,



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

AUDIT COMMITTEE	AGENDA ITEM No. 9
22 MARCH 2021	PUBLIC REPORT

Report of:	Councillor Over, Chair of Audit Committee	
Cabinet Member(s) responsible:	Councilor Seaton, Cabinet Member for Finance	
Contact Officer(s):	Dan Kalley, Senior Democratic Services Officer	Tel. 296 334

WORK PROGRAMME 2021/22

R E C O M M E N D A T I O N S
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> Notes and agrees the Work Programme for the municipal year 2021/22.

1. ORIGIN OF REPORT

1.1 This is a standard report to the Audit Committee which forms part of its agreed work programme. This report provides details of the Draft Work Programme for the following municipal year.

2. PURPOSE AND REASON FOR REPORT

2.1 The Work Programme is based on previous year's agendas. The programme can be refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

2.2 Training for members on specific aspects of the Audit Committee agenda are available throughout the year and will be arranged on request and will take place on a separate day to that of the committee meeting.

3. IMPLICATIONS

Financial Implications

3.1 There are none

Legal Implications

3.2 There are none

Equalities Implications

3.3 There are none

4. APPENDICES

4.1 Appendix A - Work Programme 2021/22

APPENDIX A

DATE: TBC JULY 2021			
		Section / Lead	Description
	Annual Governance Statement	Finance Kirsty Nutton	To consider and endorse the development of the Annual Governance Statement as included in the accounts.
	Internal Audit: Annual Audit Opinion	Internal Audit Steve Crabtree	To receive, consider and endorse the annual Internal Audit Opinion for the year ended 31 March 2021.
	Investigations Team Annual Report 2020 / 2021	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the investigation of fraud and irregularities for the year ended 31 March 2021.
	Insurance: Annual Report 2020 / 2021	Internal Audit Steve Crabtree	To receive, consider and endorse the annual report on the delivery of Insurance Services for the year ended 31 March 2021.
	Capital and Treasury Outturn 2020 / 2021	Finance Pete Carpenter	To receive, consider and endorse the Capital and Treasury outturn 2020/21
	Audit of Statement of Accounts To Those Charged with Governance (ISA260) including Annual Governance Statement	Finance Pete Carpenter / EY	To receive the final Statement of Accounts for the year ended 31 March 2021 incorporating the Annual Governance Statement together with the annual report to those charged with governance following their scrutiny by External Audit.
	Audit Committee Effectiveness	Internal Audit Steve Crabtree	To receive and consider the self assessment of the effectiveness of the Audit Committee
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.

	Approved Write-Offs Exceeding £10,000	Pete Carpenter / Chris Yates	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Draft Work Programme 2020 / 2021	Democratic Services Dan Kalley	

DATE: TBC SEPTEMBER 2021

	Section / Lead	Description
--	-----------------------	--------------------

	Risk Management: Strategic Risks	Governance Pete Carpenter	To receive details of the strategic risks impacting on the Council and the mitigating actions to address these.
	Use of Consultants	Finance Pete Carpenter	To receive an update on the use of Consultants
	External Audit: Annual Audit Letter	EY	To receive and approve the External Annual Audit Letter identified as part of their audit works
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required. To also include the outcome of a recent Surveillance Commission Inspection.
	Approved Write-Offs Exceeding £10,000 - None	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2020 / 2021	Democratic Services Dan Kalley	

DATE: TBC NOVEMBER 2021

	Section / Lead	Description
--	-----------------------	--------------------

	Internal Audit: Mid Year Progress Report	Internal Audit Steve Crabtree	To receive an update on progress against the Annual Audit Plan together with details of any concerns
	Treasury Management Strategy	Finance Pete Carpenter	
	Audit Committee start times 2022/23	Dan Kalley Democratic Services	Committee to agree it's start times for the municipal year 2022-23
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2019 / 2020	Democratic Services Dan Kalley	
DATE: TBC JANUARY 2022			
		Section / Lead	Description
	Internal Audit: Approach to Audit Planning	Internal Audit Steve Crabtree	To receive a report on the approach to Audit Planning
	National Fraud Initiative: Investigating Allegations of Fraud	Internal Audit Steve Crabtree	To receive a report setting out the latest outcomes in relation to tackling fraud and corruption through the National Fraud

			Initiative and future activities to protect the public purse
	Use of Consultants	Finance/HR Pete Carpenter	To receive an update on the use of consultants and agency staff
	Treasury Management Strategy	Finance Pete Carpenter	
	Asset Management Strategy	Finance Pete Carpenter	
	INFORMATION AND OTHER ITEMS		
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Finance Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	
	Work Programme 2022 / 2023	Democratic Services Dan Kalley	

DATE: TBC MARCH 2022			
		Section / Lead	Description
	Draft Annual Audit Committee Report	Democratic Services Dan Kalley	To receive the Draft Annual Audit Committee Report prior to submission to Council
	Internal Audit: Draft Internal Audit Plan 2022 /	Internal Audit Steve Crabtree	To receive and approve the Internal Audit Plan 2022 / 2023

	2023		
	Risk Management: Strategic Risks	Governance Pete Carpenter	To receive an update on the strategic risks for the Council
	Refunds of Council Tax and Business Rates	Finance	To review and make any recommendations on the Councils refunds of Council Tax and Business Rates.
	INFORMATION AND OTHER ITEMS		
	Use of Consultants	Finance Pete Carpenter	To receive an update on the Use of Consultants across the organisation
	Use of Regulation of Investigatory Powers Act 2000 (RIPA)	Governance Ben Stevenson	To receive an update on the use of RIPA during the financial year reporting activity when required.
	Approved Write-Offs Exceeding £10,000	Pete Carpenter	To receive an update on write offs approved, which exceed the Council's financial regulation threshold of £10,000.
	Feedback report	Democratic Services Dan Kalley	

This page is intentionally left blank