APPENDIX A

PETERBOROUGH
CITY COUNCIL

ANNUAL AUDIT OPINION

PROGRESS REPORT 2014 / 2015

1.   **INTRODUCTION**

1.1   The purpose of this report is to bring the Audit Committee up to date with progress made against the delivery of the 2014 / 2015 Internal Audit Plan as at 30 September 2014. This report aims to:

- Summarise the process used in setting and delivering the plan;
- Provide an update on performance indicators comparing actual performance against planned where measurable at this stage.
- Advise of any planned changes to reviews, slippage or deletions to that originally agreed on 24 March 2014;
- Advise the Committee of significant issues where controls need to improve to effectively manage risks;
- Track progress on the delivery of agreed actions which will be reported as part of the annual reporting process; and

1.2   The information included in this progress report will feed into, and inform our overall opinion in the Annual Head of Internal Audit Report issued at the year-end. This opinion will in turn be used to inform the Annual Governance Statement (AGS) included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.

2.   **INTERNAL AUDIT ROLE AND DETERMINING THE ANNUAL PLAN**

2.1   The provision of assurance is the key role for Internal Audit and this requires the Chief Internal Auditor to provide an annual internal audit opinion based on an assessment of the framework of governance, control and risk management. The role of Internal Audit, therefore, is to understand the key risks to the Council's objectives and to evaluate the adequacy and effectiveness of management's response to those risks.

2.2   In order to achieve this, Internal Audit conducts an annual risk-based audit planning process to determine the audit coverage required across all Council operations. This is designed to align audit effort with those areas assessed as posing the greatest risk to the Council. We use various sources of information, such as the Council's strategic and operational risk registers and the Medium Term Financial Strategy, as well as consulting with directors and their management teams, the council's external auditor and the Audit Committee. A copy of the Annual Plan, as agreed by Audit Committee on 24th March 2014, is attached at appendix B for information.

3.   **DELIVERING THE PLAN**

3.1   Audits are conducted using a risk based approach to ensure effort is focused in the most appropriate areas. Once the audit is complete, a report is issued giving an overall opinion using the definitions below. The audit opinion is based upon the number and type of recommendations we make in each report. Certain pieces of work do not result in an audit report with an opinion (such as consultancy work, involvement in working groups, grant certification and follow-ups). It is worth noting that we are reviewing the process of awarding opinions,

including the terminology used, and we will bring our proposals to the Audit Committee with our annual plan for 2015 – 16. The report opinion, along with our consideration of other audit work, is used to formulate the overall Head of Internal Audit Opinion.

AUDIT ASSURANCE OPINIONS	
Assurance	Definitions
Full	The system is designed to meet objectives/controls are consistently applied that protect the Authority from foreseeable risks.
Significant	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
Limited	There are weaknesses in the design of controls and / or consistency of application, 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	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. 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 RATINGS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

3.3 It is managers' responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed actions arising from audit reviews are implemented in a timely manner.

2   **RESOURCING AND PERFORMANCE**

2.1   The staffing position in Internal Audit is as reported when the Annual Internal Audit Plan was agreed. This is made up of:

- Head of Internal Audit   0.40   Post shared with Cambridge City and South Cambs DC
- Group Auditor   1.46
- Principal Auditor   0.60
- Senior Auditor   2.00
- Auditor   1.00

        Total in post   5.46 FTE

2.2   100% of recommendations made in 2014 – 15 have been agreed.

2.3   The level of sickness within the team is very low with 0.33 days sickness per person to September 2014 compared to a corporate target of 8 days (3%).

2.4   Post audit customer satisfaction questionnaires continue to demonstrate that audit reviews are meeting the needs of the organisation with an average score 5 out of 5.

2.5   As part of Internal Audit's strategic plan to increase working efficiencies we are continuing to develop our use of audit automation. The implementation of new audit software, which assists in the recording and management and reporting of our work, is complete. Our shared service partners are reviewing the benefits of sharing the system with us.

3   **PROGRESS AGAINST AGREED AUDIT PLAN**

Where audits are "shaded", these represent those jobs not started at 30 September 2014.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	**Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.**							
Budgetary Control	Adult Social Care & Public Health/ Resources							In progress
Main Accounting	Serco/ Resources							Deleted from plan due to the implementation of the new financial system. Budgeted time to be used to review proposals for the new financial system – see below.
Fixed Asset Accounting	Serco/ Resources							To commence in Qtr 4
Council Tax Reduction Scheme	Serco/ Resources							To commence in Qtr 3
Accounts Receivable – Parking Charges	Serco/ Resources							In progress
Financial System Implementation (Agresso)	Serco/ Resources							Initial workshops attended. Consultancy role – no report expected.

21

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	**Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as high level governance reviews.**							
Annual Governance Statement Review	All	Complete. Presented and agreed by Audit Committee on 30th June 2013						
Assurance Framework	All	To commence Qtr 4						
Annual Audit Opinion	All	Complete. Presented to Audit Committee on 30 June 2013						
Annual Audit Plan	All	To commence Qtr 3						
Internal Audit Effectiveness / Audit Committee Effectiveness	All	Complete. Presented to Audit Committee on 30 June 2013						
Anti-Fraud Culture	All	NFI Initiative – review of data matches to commence in Qtr 4 Liaison with the Corporate Compliance Team and evaluation of controls resulting from frauds ongoing.						
Information Governance	All	Liaison and strategic overview as part of the Strategic Governance Board and Information Governance Group On-going						
Risk Management	All	Attendance at Risk Working Group ongoing						
Partnership Governance	Serco/Resources	Review of Serco Contract Management and in progress						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	**Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks**							
Eligibility criteria	Adult Social Care & Public Health							To commence Qtr 3
Frameworki – IT system	Adult Social Care & Public Health							To commence Qtr 4
Public Health Delivery	Adult Social Care & Public Health							In progress
Commissioning	Commissioning							To commence Qtr 3
Quality Assurance Regime	Children's Services							In progress
Children's Services IT system	Children's Services							To commence in Qtr 4
Petty Cash	Children's Services							In progress
Leaving Care Allowances	Children's Services							In progress
Schools	Children's Services/Resources							Two schools in progress
Capital Project Management	All							To commence Qtr 3
Materials Recycling Facility	Serco/Resources							To commence Qtr 4
Data Security – Mobile Devices	Serco/Resources							To commence Qtr 3
Business Continuity	Governance							In progress

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	**Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks**							
Procurement	Serco/Resources							To commence Qtr 4
Contracts: Dementia Resource Centre	Adult Social Care	N/A						Complete. Investigation into overspend.
Projects	All							To commence Qtr 3
Community Infrastructure Levy	Growth & Regeneration	Significant	0	0	3	3	6	Draft stage
Value For Money Reviews	All							To be undertaken if time permits.

EXTERNAL WORKS	Work which generates income for the council
Vivacity	4 audits in progress.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
GRANT CLAIM CERTIFICATION	**Certification of claims in relation to UK and European funding requirements**							
Bus Service Operators 2012/13		Certified						A grant to support bus services, including community transport services.
Growth Area Fund 2013/14		Certified						A non ring-fenced capital grant to support a programme of growth and development.
Cleantech Incubation Europe								5th claim in progress. 6th claim due in Qtr 4.
Zecos		Certified						6th claim complete. 7th claim due in Qtr 4.
Disabled Facilities Grant 2013		Certified						Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Electoral Registration Transformation Programme	Governance	Certified						Funding to support the transition to Individual Electoral Registration.
Local Transport Funding Grant 2013/14.	Growth and Regeneration	Certified						This grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks.
Local Transport Funding - Additional Highways Grant	Growth and Regeneration	Certified						A grant to support local authorities in funding capital costs for integrated transport measures and highway maintenance schemes.
Pinch Point Grant 2013/14	Growth and Regeneration	Certified						A fund to help local authorities keep traffic moving and remove bottlenecks on the local highways network.
Severe Weather Grant 2013/14	Growth and Regeneration	Certified						A scheme to support local authorities with costs in dealing with recovery from flood damage in December 2013 and severe weather between December 2013 and up to 7th February 2014.
Troubled Families	Communities							To be commenced in Qtr 3

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	**Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.**							
Carry Forward Provision	**Provision for the completion of 2013-14 audits**							
Risk Management	Governance							In progress
Electronic Call Monitoring	Adult Social Care	Limited	0	7	1	2	10	Final issued
Accounts Payable	Serco/Resources	Significant	0	5	7	5	17	Draft issued
Payroll	Serco/Resources	Significant	0	2	2	2	6	Draft issued
Accounts Receivable	Serco/Resources							In progress
Purchasing Cards	Serco/Resources							In progress
Fuel Cards	Serco/Resources							In progress
Local Sustainable Transport Fund Grant	Resources	Certified	N/A	N/A	N/A	N/A	N/A	Complete
Frameworki – Accounts Payable module	Adult Social Care	Limited	0	6	3	2	11	Draft issued.
Contract Management – Alleged Irregularity	Adult Social Care/ Governance	Investigation into alleged under-delivery of contracted services. Following work completed internally an external investigation has commenced by the contract supplier.						
Whistleblowing Investigation: Alleged Irregularity	Communities/ Governance	Report received from external investigator.						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS IMPLEMENTED					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	**Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.**							
Follow–up Provision:	**Revisiting audits after 6 months to monitor the implementation of recommendations**							
Electronic Call Monitoring	Communities							Due Qtr 4
Payroll	Resources							Due Qtr 4
ICES	Adult Social Care							Due Qtr 3
The Beeches Primary School	Resources							Due Qtr 3
Payroll Overpayments	Resources							In progress
Travel & Subsistence	Resources							In progress
Direct Payments	Adult Social Care							Due Qtr 4
Translation Services	Communities							Due Qtr 4

AUDIT ACTIVITY	Department	COMMENTARY
Provision for unplanned activities:	**Internal Audit provides control and risk advice to officers/management/members as a result of changing risks. This audit activity covers review work that is additional and was not specified as part of the original audit plan**	
Translation Services – Payment Proposals	Communities	Advice on proposals to speed up payments for translation services. Complete
Shared Lives – Carer Invoices	Adult Social Care	Investigation into delays and errors in the payment of certain invoices. Complete.
Care Provider Invoicing Proposals	Adult Social Care	Provision of advice regarding the proposal to use Frameworki /Oracle interface to pay residential care costs, and the proposal to pay without invoice. In progess.
School A	Children's Services/ Resources	Investigation into allegations of inappropriate spending. Undertaken jointly with Compliance team. In progress.
Financial Regulations Review	Resources	Provision of a summary of audit observations that have an impact on the review of Financial regs. Complete.
Authorised signatory forms	Resources	Advice on the use of manual signatures as a control within Payroll, Accounts Payable, petty cash etc. Complete
Schools	Resources	Advice on selling unwanted items. Guidance on the use of purchasing cards. Complete

4   **AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

	AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
1.	Electronic Call Monitoring	Limited	3 November 2014

Executive Summary

Introduction

When the new Personal Care & Support Framework Contract was let by Adult Social Care in January 2014, there was a requirement for homecare providers to use Electronic Call Monitoring systems. It is understood that for resources reasons, it was decided that each care provider would be responsible for procuring and operating their own ECM system, rather than PCC procure one centrally that all care providers would use.

ECM typically works by logging phone calls made a carer ringing a Freephone number linked to the ECM system, from the service user's phone number, on arrival and again on departure. Some systems use GPS technology instead to record when a carer is at a service user's home.

Objectives and Scope

The purpose of the audit was to:

- Establish whether contractual requirements for ECM are robust enough to allow PCC to properly monitor service delivery and ensure security of data
- Review how PCC uses ECM data to monitor service delivery and accuracy of billing
- Form a view on reliability of data sets provided

The scope covered contractual arrangements for ECM; how ECM reports are received; comparison of ECM reports to care commissioned and billed, and an assessment of reliability of data. It was agreed that the scope would not include visits to care providers to examine the ECM systems in place.

Main Findings

- Schedule 13 of the new framework contract allows ECM systems to accept "manual overrides" so that legitimate exceptions can be manually entered. ECM reports are submitted by care providers, rather than produced remotely by PCC. This raises concerns about editability of data within and outwith ECM systems.

- None of the five ECM reports provided for examination contained sufficient information to comply with the contractual requirements laid down in Schedule 13. For example, two of them did not detail the scheduled care planned by the care provider. PCC's template ECM report was not completed until after the new contracts went live.

- ECM data is not tested to ensure it appears reasonable and that it meets contractual requirements. Currently, ECM data is only referred to in exceptional cases, e.g. where invoiced charges are significantly higher than expected, or where there are specific grounds for concern.

- Two ECM reports showed that more than 50% of all visits listed matched exactly to the minute, the actual visit duration, to the commissioned care stated on Frameworki, and/or the planned care entered into the ECM system by the care provider. The same two reports showed in excess of 50% of actual visit start times, end times, and durations ending in 0 or 5. These figures seem disproportionately high, and suggest that a substantial portion are resulting from rounded rather than "real time" data.

- While there is a mechanism in place to detect where care charges are in excess of that expected, there is none to detect lower than expected charges (which could indicate insufficient care provision).

Conclusion and Opinion

Without control over one centralised ECM system for all care providers, PCC must trust the care providers to introduce and operate effective systems. For reliance to be placed on any ECM data, it is necessary to ensure that genuine automated call data is uneditable, readily accessible, and easily distinguishable from manually entered data. Adequate safeguards must exist to prevent data being manipulated to PCC's disadvantage.

Recommendations in this report are made with a view to maximising reliability of data without substantial changes. However, management are now considering introduction of Provider Management Software (PMS) to collate and analyse data from care providers' own systems, or a centrally administered ECM system. Such systems would take time to introduce, and consideration will need to be given to how the interim period is managed. The audit opinion is **Limited Assurance**.

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