

APPENDIX A



**ANNUAL AUDIT OPINION
PROGRESS REPORT 2016 / 2017**

1. **INTRODUCTION**

- 1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit Committee and the Executive Director for Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives.
- 1.2 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2016 / 2017 Internal Plan, as at September 2016. The information included in the progress report will feed into and inform our overall opinion in the annual Head of Internal Audit (HoIA) report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, we look at the number and type of recommendations we make in each report. Our assurance ratings were amended at the start of this year (Members were notified in our Audit Plan report to Audit Committee 21 March 2016) and are summarised below:

AUDIT ASSURANCE OPINIONS	
Assurance	Definitions
Substantial	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There may be 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.

- 1.4 Should an audit report identify **LIMITED** or **NO** assurance, then as a matter of course those areas are followed up. Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.**
- 1.5 Our recommendations are graded, dependent on the severity of the findings, see below:

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

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2. RESOURCES, PERFORMANCE AND OUTPUTS

- 2.1 There have been no changes to audit resources during the year to date and the staffing position remains at 5.16 FTE.
- 2.2 The post of Chief Internal Auditor is currently also provided to Cambridge City Council (January 2011) and South Cambridgeshire District Council (July 2013) on a shared management arrangement, delivering financial savings to each Council. Those respective authorities have in recent months been in discussions with, or have already created, a series of shared services with Huntingdonshire District Council. Whilst the proposals have been shared with Peterborough, it is considered that the impact of a 4 way authority arrangement, involving a full transfer of all staff to one authority, would not be in the best interests of Peterborough and would dilute the resource and knowledge of a unitary authority. As a result, the decision has been taken by the Service Director Financial Services in conjunction with the Chief Internal Auditor to state that Peterborough would withdraw from the existing arrangements. Each of the other authorities are currently consulting on the proposals through their respective Cabinet or Scrutiny Committees. Should the proposals go ahead, there is a three month notice period which either side could exercise.

2.3 Performance indicators are as follows:

- There has been 100% acceptance of audit recommendations to date, against a target of 90%.
- Follow-ups carried out to date show that 86% of agreed recommendations have been implemented, against a target of 90%; and
- The level of sickness within the team is low with 0.9 days sickness per person to September 2016 compared to a corporate target of 2.5 days at the mid-year stage.

2.4 The progress of the 2016 / 2017 Annual Plan is documented in **Appendix A**. To date 6 grant certifications have been completed and 4 audit projects have been finalised. There are 20 audit projects in progress, including 3 at draft report stage. With a further 12 audit projects left to be undertaken in the second half of the year, progress against the 2016 / 2017 plan is as expected. In addition, there are 7 audit projects underway for Vivacity, for whom Internal Audit also provides a service.

2.5 One report has been issued with a **LIMITED** assurance rating – The Local Offer. All recommendations have been agreed and improvements were being made during the course of the audit review, so this is not now a particular cause for concern. The Executive Summary for this audit is enclosed at **Appendix B**.

2.4 A Customer Survey was conducted and detailed commentary and analysis of this is attached at **Appendix C**.

2.5 It is too early in the audit year to provide an opinion on the internal controls operating across the Council that have been subject to audit from the 2016 / 2017 audit plans and with the work undertaken in its infancy there are no significant issues to be brought to the Committees attention.

Steve Crabtree
Chief Internal Auditor
October 2016

5 **PROGRESS AGAINST AGREED AUDIT PLAN**

Where audits are “shaded”, these represent those jobs not started at 30 September 2016.

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	Growth and Regeneration	IN PROGRESS A risk based review concentrating on budget management within a major project.							
Accounts Payable	Serco / Resources	IN PROGRESS A review of the new finance system, concentrating on specific areas such as exempt invoices and access controls and following up on work done during the implementation							
Accounts Receivable	Serco / Resources	IN PROGRESS A review of billing and debt recovery arrangements.							
HR IT System	Serco / Resources / Governance	PROJECT ON HOLD A review of the control framework during the design and implementation of a new HR IT system designed to enable self-serve processes.							

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	COMPLETED Presented as draft to Audit Committee on 29 June 2016 and final agreed by Audit Committee on 22 September 2016							
Code of Corporate Governance	All	IN PROGRESS Consultancy advice on the compilation of a new local Code of Corporate Governance and setting up a governance monitoring framework.							
Assurance Framework	All	TO COMMENCE QTR 4 Determine what assurance is received in relation to those risks identified in strategic and corporate risk registers. Identify gaps. Consider Internal Audit's role in filling those gaps and also in quality assuring other assurance providers.							
Annual Audit Opinion / Progress Report	All	COMPLETED Annual Opinion presented to Audit Committee on 29 June 2016 and Progress Report being presented on 22 November 2016.							
Annual Audit Plan	All	TO COMMENCE QTR 3 Establishment of the future plans for 2017 / 2018.							
Internal Audit Effectiveness / Audit Committee Effectiveness	All	COMPLETED Presented to Audit Committee on 29 June 2016.							
Anti-Fraud Culture	All	IN PROGRESS Data provision for National Fraud Initiative complete. Anti-Fraud and Corruption Strategy in draft and being consulted upon. Compilation of a Fraud Risk register in progress. Review of other policies to commence in Quarter 4.							
Information Governance	All	ONGOING Liaison and strategic overview as part of the Strategic Governance Board and Information Governance Group.							
Risk Management	All	ONGOING Involvement in risk working group and any emerging issues.							

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							
Programme / Project Management	ALL	IN PROGRESS Compilation of a programme of work to review selected projects.						
Contracts	ALL	TO COMMENCE IN QTR 3. A review of selected contracts.						
Strategic Partnerships	ALL	TO COMMENCE IN QTR 3. A review of the management of strategic partners, such as Serco, Skanska, Amey and Vivacity, to ensure that effective governance arrangements are in place.						
Commercial Activities	ALL	TO COMMENCE IN QTR 4 A review of governance arrangements in those areas where commercial activities and joint ventures are taking place, for example: the Peterborough Investment Partnership, ESCO, Opportunity Peterborough etc.						
Information Governance	Governance	IN PROGRESS A high level review of our compliance with ICO requirements.						
Quality Assurance	People and Communities	TO COMMENCE IN QTR 4. A review to look at the effectiveness of the processes in place that provide assurance over safeguarding activities within Adult's and Children's Social Care.						
Health and Safety	ALL	IN PROGRESS. A review of arrangements to ensure that our responsibilities for health and safety are covered.						
Shared Services	ALL	TO COMMENCE IN QTR 4. A review of governance arrangements for our shared service arrangements.						
Recruitment Checks / Disclosure and Barring Services	Governance	IN PROGRESS. To ensure there is a robust process in place for recruitment checks and for monitoring that contractors fulfil their responsibilities in this area.						
Schools	People and Communities	IN PROGRESS. A review of the integrity and accuracy of LGSS pension returns for schools and colleges not using PCC payroll systems is underway. Another review of Pupil Premium usage is starting in Qtr 3.						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	CONTINUED							
Property	Resources	TO COMMENCE QTR 4. To cover the governance around the new delivery arrangements and the process for acquisitions and disposals.						
Local Offer	Governance / People and Communities	LIMITED	0	10	15	4	29	COMPLETED. The Executive Summary to this report is attached at the end of this document.
Blue Badges	People and Communities	IN PROGRESS. A review of processes for issuing and cancelling permits.						

GRANT	Department	ASSURANCE LEVEL	COMMENTARY
GRANT CLAIM CERTIFICATION	Certification of claims in relation to UK and European funding requirements		
Bus Service Operators 2015 / 2016	Growth and Regeneration	Certified	COMPLETED. A grant to support bus services, including community transport services.
Local Transport Funding Grant 2015 / 2016	Growth and Regeneration	Certified	COMPLETED. 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 Sustainable Transport Grant 2015 / 2016	Growth and Regeneration	Certified	COMPLETED. A scheme to help local authorities to cut carbon emissions and create local growth
Disabled Facilities Grant 2015 / 2016	People and Communities	Certified	COMPLETED. Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Connecting Families	People and Communities	Certified phase 1	IN PROGRESS Results based funding to support families meeting certain criteria. Verification of a sample of claims prior to one of the claim submissions in 2016, and a review of Outcomes Plan and procedures.
Peterborough CLLD	Growth and Regeneration	No longer required	COMPLETED European structural and investment funding for a project called Peterborough CLLD. Consultancy advice on robust record keeping systems to comply with funding criteria.
LEP GCGPEP	Growth and Regeneration		TO COMMENCE QTR 4 Bourges Boulevard Phase 1.
Carbon Reduction Commitment	Growth and Regeneration	Certified	COMPLETED. Annual data validity audit.
Rogue Landlords Grant.	People and Communities	Certified	COMPLETED New funding to help councils tackle rogue landlords who let out substandard homes.

EXTERNAL WORKS	Work which generates income for the council
Vivacity	7 reviews are planned or in progress for this external client.

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 2015-16 audits									
Capital Project Management	Resources	IN PROGRESS Critical friend review during the implementation of updated policies and processes.								
Schools Statutory Testing	Resources	LIMITED	0	1	2	2	5	DRAFT REPORT ISSUED.		
Schools Gifts and Hospitality	People and Communities	SUBSTANTIAL	0	0	5	3	8	DRAFT REPORT ISSUED.		
Payroll	Resources	SUBSTANTIAL	0	0	0	3	3	DRAFT REPORT ISSUED.		
Cash and Banking – Special Investigation	People and Communities	WORK COMPLETE Ongoing liaison with outside organisations to progress.								
Winyates Primary School – Follow-up	People and Communities	NO	0	11	8	4	23	DRAFT REPORT ISSUED.		
Pensions (Employee bandings)	Governance	SUBSTANTIAL	0	0	0	0	0	Analysis to determine accuracy of pension bandings and overall collection percentage.		

AUDIT ACTIVITY	Department	COMMENTARY
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	
Parking Services	Resources	MEMO ISSUED 5 high priority recommendations were made and 4 have been implemented. Further work is required to ensure that regular reconciliations are carried out and evidenced to ensure all income due is received and banked.
Cash Office	Resources/Serco	MEMO ISSUED All 4 high and medium recommendations were implemented or in progress.
Statutory Testing	Resources	IN PROGRESS.

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	
Care Service Charging	People and Communities	WORK COMPLETE. Advice and analysis regarding alleged overcharging of clients by a care company.

6 AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
The Local Offer	Limited	22 November 2016

APPENDIX B

Executive Summary – The Local Offer

Introduction

This Audit forms part of an unplanned review which has concluded during 2016 / 17. The audit work was as a result of request made by the Service Director Adult Services and Communities, Head of Performance & Informatics and Compliance Manager (Governance) to independently review the Local Offer (LO) using a self - assessment document developed by SE7, supported by Portsmouth, Leicester City and Nottinghamshire Local Authorities.

Peterborough's Local Offer has been in place since 1st September 2014. The Local Offer must set down in one place information about provision across education, health and social care for children and young people who have special educational needs or are disabled. Information must be clear, accessible, comprehensive and up to date concerning the available provision and how it can be accessed. Provision must be responsive to local needs by involving parent carers, children and young people with special educational needs and disabilities in the development and review of the Local Offer.

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Objectives and Scope

The purpose of the audit was to self - assess Peterborough City Council's approach to the Local Offer Scheme using the recommended toolkit and feed into an action plan for improvements as appropriate.

This audit was conducted in accordance with proper audit practices, which are set out in the Public Sector Internal Audit Standards (PSIAS). The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

Main Findings

There are several areas for improvement in relation to the Local Offer, which have been detailed within the body of the report. The main findings are as follows:-

- It has been difficult to identify overall responsibility for the Local Offer, which has led to a lack of co – ordination and timely actions taken to improve the content
- The website includes a wealth of information, but is unwieldy to navigate and so users may be 'put off'
- There has been limited co – production
- There has been limited promotion and marketing
- There is an effective and productive relationship with Family Voice Peterborough
- The Local Offer does not inform the Commissioning process

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Recommendations have been addressed to the Corporate Director, People & Communities in order to allow appropriate allocation and co – ordination of agreed actions.

Conclusion and Opinion

There are several areas for improvement in relation to the Local Offer, which have been detailed below. Several of these had been identified as issues to resolve by various individuals involved with the Local Offer, and there is an awareness of the progress required in order to meet statutory requirements. Most notably, responsibility for co – ordination and monitoring of the LO has now been allocated. This has resulted in considerable efforts being made to update the Local Offer and required actions being addressed expediently. This ongoing monitoring and support of the Local Offer is key to its success. Continued use of the SE7 or newly acquired Aspire self - evaluation toolkit, which are based on the same fundamental statutory requirements, will assist in this process.

The audit opinion is Limited Assurance.

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