

APPENDIX A

**ANNUAL AUDIT OPINION
2017 / 2018**



ANNUAL REPORT

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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 Acting Director of Corporate Services, 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. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.

2. **ARRIVING AT AN OPINION**

2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2017 / 2018. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit.

2.2 **Risk Based Planning**

Internal Audit continues to embrace the risk assessment approach to audit. A risk based approach is used to develop the Internal Audit Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. During the course of the year the risks of the Authority are continually reviewed and used to update the plan. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. This risk based approach to audit planning results in a detailed range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:

- Governance reviews, including a review of key assurance frameworks and the Annual Governance Statement;
- Risk based reviews of fundamental financial systems that could have a material impact on the accounts, and other departmental systems;
- Fraud strategy work, responsive fraud and irregularity investigations;
- Contract, procurement, performance and project audits; and
- Audits of Council establishments.

2.3 The Audit Review

There are three elements to each internal audit review.

- Firstly, the control and risk environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to establish an opinion on the adequacy of the control framework in place.
- However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to form a view on the extent to which the control environment, designed to mitigate risk, is being complied with.
- Finally, where there are significant control weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

2.4 Reporting

Where appropriate, each report we issue during the year is given an overall opinion, as shown in the table below.

Certain pieces of work do not result in an audit report with an opinion – such as consultancy work, grant reviews, involvement in working groups and follow-ups (unless further recommendations are made). However the certification of grant work should indicate that at the point of approval, information being submitted to external organisation meets required criteria. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

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.

3. **OPINION 2017 / 2018**

As Chief Internal Auditor, in line with Public Sector Internal Audit Standards and prior best practice, I am required to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. I have undertaken the following in order to form a basis for providing my assurance:

- Assessed the quantity and coverage of internal audit work against the 2017 / 2018 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the council's risk management control and governance processes;
- Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
- Considered any significant actions not accepted by management and the consequent risks, of which there were none;
- Assessed the status of actions identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
- Considered the effects of significant changes in the Councils objectives or systems and the requirement for Internal Audit involvement;
- Reviewed and considered matters arising from reports to Council committees; and
- Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

Following consideration of the above I am able to provide the following Opinion for 2017 / 2018:

*I am satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, control and governance processes. **In my opinion, the Council has adequate and effective systems of internal control in place to manage the achievement of its objectives.** In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.*

Notwithstanding my overall opinion, Internal Audit's work identified a number of opportunities for improving control procedures which management has accepted and are documented in each individual audit report.

Chief Internal Auditor
June 2018

4. **BASIS OF ANNUAL OPINION**

- 4.1 The audit work that was completed for the year to 31 March 2018 is detailed at the end of the report and lists each audit and individual result in terms of the audit assurance level and the number of recommendations made. A summary of assurance levels is detailed below. This shows that 84% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2015 / 2016: 76% and 2016 / 2017: 60%). It is worth noting that the opinion titles and terminology changed in 2016 / 2017 and, although they are broadly comparable to those used previously, we no longer have the option of a Full Assurance category.

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Full	0	n/a	n/a	0	n/a	n/a
Substantial / Significant	13	5	1	76	33	5
Reasonable	n/a	4	14	n/a	27	79
Limited	3	5	2	18	33	11
No	1	1	1	6	7	5
	17	15	18	100	100	100

RECOMMENDATIONS MADE			
	Numbers		
	2015/16	2016/17	2017/18
Low	39	35	30
Medium	56	62	47
High	37	42	31
Critical	0	0	0
	141	139	108

- 4.2 In addition to the audits detailed in the above table, further audit work was carried out, including 2 follow-ups, 11 grant reviews, 10 pieces of consultancy or unplanned work, as well as 7 governance reports. At the year-end 9 audit reviews and 2 follow up were in various stages of completion and audit opinions relating to these will be reported during 2018 / 2019 as part of the agreed performance reporting timetable to the Audit Committee.

4.3 **Corporate Governance**

Using the proper practice guidance issued by CIPFA as the basis, Internal Audit reviews the corporate governance framework to confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

4.4 Risk Management and Business Continuity

The Risk Management Board was formed during the year which replaced the previous risk management working group. The Board includes Internal Audit representation and meets to discuss emerging issues and changes in risk both strategically and operationally. Risk registers are updated by departments each month and the Strategic Risk Register is reported to Audit Committee. The risk management team and Board/working group have developed a process to cascade the high level risks from Departmental registers to the Strategic register to ensure a robust reporting mechanism. Additionally Verto (PCC's project management system) has been developed to be utilised for recording strategic, operational and project risk. In addition to this a fraud risk register has been produced by internal audit which is going to be incorporated into future fraud and risk awareness training. The Resilience team continues to lead and co-ordinate risk management within the organisation.

4.5 Key Financial Systems

One or more of the authority's key financial systems is reviewed every year, based on an assessment of risk. This year, Accounts Payable has concluded and Accounts Receivable is presently in process of being reviewed. Planned reviews for Payroll and Budgetary Control have not been undertaken due to available resources but additional unplanned reviews have been undertaken as replacements which have included Budget Risk assessment against the Medium Term Financial Strategy along with processes to be introduced following the closure of the cash office. Areas assessed have indicated that reasonable assurance can be given for the reviewed systems.

4.6 External Activities

Internal Audit has undertaken a number of reviews under a Service Level Agreements with Vivacity Leisure Trust. The nature of the works undertaken are confidential between internal audit and the client and are not incorporated into or form part of the Head of Internal Audit Annual Opinion.

4.7 Allegations of Fraud / Irregularity and Breaches of Code of Conduct

Internal audit also includes the investigations team who are responsible for reviewing council tax fraud, corporate fraud, staff misconduct and Blue Badge fraud. A separate report covering their activity for the year is brought to the Audit Committee alongside this one. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. Work has also concluded with regards to the National Fraud Initiative where Internal Audit review and investigate data matches over a variety of subject areas. A key focus for the team moving forward is to raise the awareness of the risk of potential fraud within the organisation with the intention to develop training/e-learning for staff.

4.8 Limited and No Assurance reports

The audits listed below have resulted in a limited or no assurance opinion. Where the resultant reports have been issued as a final, executive summaries are provided within Section 7.

Reports for 16 July 2018

- Materials Recycling Facility
- Blue Badges
- Winyates

4.9 Significant Issues

Internal Audit is required to form an opinion on the quality of the internal control environment which includes consideration of any significant risk or governance issues and control failures which arise. There is nothing additional to report at this stage based on the work undertaken during the year.

5. RESOURCING AND PERFORMANCE

5.1 Resourcing

5.1.1 During 2017 / 2018, resources were made up as follows:

Chief Internal Auditor	1 post	0.55 FTE	
Group Auditor	2 posts	1.46 FTE	
Principal Auditor	1 post	0.50 FTE	
Senior Auditor	2 posts	1.00 FTE	1 Vacancy (0.8 FTE)
Auditor	1 post	1.00 FTE	
	TOTAL	4.51 FTE	

5.1.2 The audit plan was based on a full establishment with plans to recruit to a vacancy arising from 1 April 2017 and the Chief Internal Auditor to be 100% Peterborough City Council from September 2017. Recruitment did not take place during the year and the Chief Internal Auditor continued operating within the shared service arrangement until 31 December 2017 resulting in resources being 0.95 FTE lower than reported in the original plan for 2017 / 2018.

- 5.1.3 The shared service arrangement with Cambridge City Council and South Cambridgeshire District Council, which has delivered efficiency savings concluded during the year with the Chief Internal Auditor returning to Peterborough City Council 100% from January 2018. Prior to this time the Chief Internal Auditor's full time post was split between the authorities with South Cambridgeshire District Council receiving 20% of the post and Peterborough and Cambridge both receiving 40%. The average allocation including the contractual changes resulted in Peterborough receiving 0.55 FTE during the year rather than 0.70 FTE due to the shared service arrangement being extended to December.
- 5.1.4 In addition to the Internal Audit shared service arrangement the Chief Internal Auditor has management responsibility for the Insurance Team and the Compliance Team. He also oversees and undertakes reviews for Stage 2 complaints investigations. This time is included within the 0.55 FTE time in 5.1.1.
- 5.1.5 The level of sickness within the Internal Audit team is reasonably low with 5 days per person reported during the year compared to 3.0 days per person at the same time last year. Absence was predominantly due to one instance and is also below the corporate target of 8 days.

5.2 Performance

- 5.2.1 Audit days have been delivered to target after deducting the available days due to the reduction in resources. Where reviews were not delivered, this was due to changes in priority or as a result of reduced resources as detailed in 5.1.1. Contingency time has been carefully managed to try to deliver as many reviews as possible where additional reviews or requests for consultancy work have been requested. As the organisation is continually going through a cycle of change, business needs will also change. Some of the previously requested or planned reviews were found to be no longer appropriate or a priority and have not therefore been undertaken in agreement with the business. Where reviews are still considered to be pertinent they have been rescheduled to be undertaken during 2017 / 2018 using audit assessment criteria.
- 5.2.2 All reports, plans and progress reports have been produced in accordance with agreed timescales and presented to Members via the Audit Committee. The Annual Governance Statement was reviewed by External Audit without any adverse comments.
- 5.2.3 Customer feedback remains very positive with continued high levels of satisfaction demonstrated from our annual customer survey which includes feedback from both management and members. Detailed results are reported in **Appendix C**. Internal Audit have also provided services to external customers and positive comments have been received regarding the reviews undertaken. This work has generated additional funds for the Council.
- 5.2.4 Where we have received responses to audits, 98% of the recommendations made in 2017 / 2018 have been accepted, against a target of 90%.
- 5.2.5 Where we have conducted follow-ups, we found that 90% of high and medium priority recommendations that were agreed have been implemented, against a target of 90%.

- 5.2.6 An external review of the Internal Audit function against Public Sector Internal Audit Standards was commissioned in 2017 / 2018 as part of a 5 year cycle and the formal report and any associated required actions are awaited. Outcomes will be reported to the Audit Committee accordingly once finalised.
- 5.2.7 As part of the teams Code of Ethics, auditors are required to declare any potential conflicts of interests on an annual basis. This process was further developed during the year and the requirement to record any conflicts of interests has been introduced to each audit review. During the year there were no instances where audit staff were unable to discharge their responsibilities due to any conflicts of interest.
- 5.2.8 Internal Audit are continually exploring ways of trying to add value to the organisation by assisting in improving working process within the team and also within audit activities undertaken. This is also evident from the annual survey recently conducted where the comments we have received are reflective of the fact that management appreciate our proactive approach. Areas of work worthy of mention include:
- Continuation of audit services provided to external organisations Cambridge and Peterborough Combined Authority and Vivacity which generate income for the council;
 - The team aims to be responsive to the organisations needs and audit activities have been fluid during the year to meet the changing risk environment with limited resources;
 - Working with the Connecting Families Team where there has been a 35% increase in the number of claims from last year, which have become more complicated in demonstrating outcomes plan meet required criteria to claim PBR monies. Internal Audit have worked with Connecting Families to enhance their processes and checks so that we can place reliance on data for this year;
 - The team has similarly worked closely with the Transport and Environment Team to improve the data capture/analysis processes and thus data accuracy for Carbon Commitment Reduction. This is with a view to them introducing their own checks as part of their processes so that more reliance can be placed on that reducing the need for in depth audits;
 - Collaborating with other authorities in the effective delivery of audit reviews where discussions were held with the CCC Audit Team when preparing the 2018 / 2019 Audit Plan and PCC co-ordinated the Materials Recycling Facility Contract Review on behalf of other Cambridgeshire authorities;
 - The development of a new planning approach which is reflective in the 2018 / 2019 Annual Plan resulting in audit activities continually being assessed to meet the priorities and needs of the council whilst increasing value to the organisation;
 - A proactive member of the Cambridgeshire Audit Group (CAMSAG) where audit plans are shared to identify common themes or areas for joint working. Training requirements are also incorporated into a joint annual training day which continues to demonstrate value to audit activities as well as being delivered in a cost effective way; and
 - Actively being a fore runner on the councils agile working agenda, developing in house processes / systems further as the team relocates to Fletton Quays In August 2018.

6. ASSURANCE LEVELS AND RECOMMENDATIONS 2017 / 2018

Where audits are "shaded", these represent those jobs not started or removed from the plan at 31 March 2018.

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.							
Accounts Receivable	Serco / Resources							IN PROGRESS A review of billing and debt recovery arrangements. Initial indication is that additional resource and monitoring has been introduced to sundry debt processes to reduce debtor balances.
Budget Risks	All	Non-Opinion	n/a	n/a	n/a	n/a	n/a	COMPLETE – Unplanned A budget risk register was produced and assessed against the Medium Term Financial Strategy (MTFS). Identification of key risks are now contained within the MTFS as a result.
Oracle Decommissioning	All	Reasonable	n/a	n/a	n/a	n/a	n/a	COMPLETE – Unplanned Memo Involvement regarding decommissioning of old main accounting system, specifically in relation to payments where no significant issues were identified.
Accounts Payable	Serco / Resources	Reasonable	0	3	10	3	16	COMPLETE – C/Fwd Review The review covered the process in place to manage PO-exempt invoices, Invoices on hold, Access rights and segregation of duties.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Continued							
Impact of the Cash Office Closure	Serco / Resources	Reasonable	n/a	n/a	n/a	n/a	n/a	COMPLETE - Unplanned Various areas were reviewed with regards to proposed processes to be introduced resulting from the closure of the cash. Feedback and advice was provided prior to the closure which included petty cash, cheque handling, invoice barcoding and cash handling.
Budgetary Control	All	Removed from the plan – Deferred to 2018/19 in accordance with Internal Audit assessment criteria.						
Payroll	Resources / Serco	Removed from the plan due to reduced audit days.						
HR IT System	Serco / Resources / Governance	Removed from the plan as HR IT system modules were not implemented during the year.						

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	Non-Opinion	COMPLETE					Presented as draft to Audit Committee on 26 June 2017 and final agreed by Audit Committee on 25 September 2017
Senior Management Control Risk Self-Assessment	All	Reasonable	COMPLETE					Internal Audit, in 2017/18 issued each Directorate with an Internal Control and Governance Self-Assessment in order to come to an opinion on the governance arrangements and internal control environment within their service. Testing was undertaken to ensure the robustness of the data supplied. While no adverse comments were received in relation to the controls in place, a number of areas have been identified as requiring attention and these have been reflected in the Action Plan within the AGS. The draft AGS Action Plan was discussed at CMT in April 2018; finalised in May 2018 and included elsewhere on the agenda in the Statement of Accounts.
Code of Corporate Governance	All	Non-Opinion	COMPLETE					Consultancy advice on the compilation of a new local Code of Corporate Governance and setting up a governance monitoring framework.
Annual Audit Opinion / Progress Report	All	Non-Opinion	COMPLETE					Annual Opinion presented to Audit Committee on 26 June 2017 and Progress Report presented on 20 November 2017.
Internal Audit Annual Survey	All	Non-Opinion	COMPLETE					An annual survey regarding services delivered by the Internal Audit Team during 2018 and any emerging strategic requirements. See Appendix C for detailed information.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Continued							
Planning Approach and Emerging Themes	All	Non-Opinion	COMPLETE – Unplanned					An additional report to Audit Committee on 12 February 2018 outlining a new audit planning approach and assessment tool to be utilised when preparing the 2018/19 Annual Plan
Annual Audit Plan & Strategy	All	Non-Opinion	COMPLETE					Establishment of the future plans for 2018 / 2019. Presented to Audit Committee on 26 March 2018, along with updated Code of Ethics and Audit Charter.
Internal Audit Effectiveness	All	Non-Opinion	COMPLETE					A review of the internal audit service against the new Public Sector Internal Audit Standards has been undertaken by way of a self-assessment and supporting information to demonstrate how the standards are achieved. This has been utilised by an external assessor to evaluate compliance and help to keep costs of the review reasonable. The external review has finished and the formal report is awaited.
Audit Committee Effectiveness	All	Reasonable	COMPLETE					A best practice review of the Audit Committee was undertaken against a good practice model, which found the committee to be compliant. Reported and approved by Audit Committee on 26 March 2018
Annual Investigation Report	All	Non-Opinion	COMPLETE					Annual Audit Opinion presented to Audit Committee on 26 June 2017.
Information Governance	All	Non-Opinion	ONGOING					Liaison and strategic overview as part of the Information Governance Group. Key focus areas to date have been data storage, retention of documents and the implications of the Data Protection Act 2018.
Risk Management	All	No-Opinion	ONGOING					Involvement in risk working group/board and any emerging issues

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANTI FRAUD CULTURE	The Councils approach to assessing the controls and mitigating the risk of fraud.							
National Fraud Initiative	All	Reasonable	COMPLETE					<p>A review of data matches from the NFI exercise to include liaison with other authorities and external bodies. Examples of data sets include: Payroll, Blue Badges, Concessionary Travel, Right to Work, Personal Budgets, VAT, Housing etc.</p> <p>The majority of data matches have identified data quality issues rather than instances of fraud. This was particularly notable with regards to Concessionary Travel and the Housing Waiting List. Work is ongoing in improving data quality and an NFI Strategy has been developed to assist in this process in readiness of the next data capture due in October 2018.</p> <p>Where matches revealed irregular activity, mainly due to matching Housing benefit claims to student loans, approximately £9,000 has been identified for recovery. For further details please refer to the Annual Investigations report.</p>
Serious and Organised Crime	All		<p>The Serious and Organised Crime (SOC) report was issued in December 2016 and makes various recommendations on the key areas subject to risk of organised crime. A collaborative approach is recommended and selected aspects of the report are to be reviewed:</p> <p>Deferred to 2018/19</p> <p>Facilitation of a self-assessment anti-fraud health check – High level review of the SOC check list covering a range of areas such as Strategy, Communication, Data Sharing, Risk Management.</p> <p>In Progress</p> <p>Review of Passenger Transport procurement and contract management arrangements – to include responsibility for DBS and safeguarding both at contract procurement and subsequent monitoring during the contract life.</p> <p>Deferred to 2018/19</p> <p>Taxi Licensing – Processes for the issuing of taxi licenses to include safeguarding and changes in licensing arrangements. To be undertaken in 2018/19 due to operational needs.</p> <p>In Progress</p> <p>Gifts and Hospitality – Officer, Partners and Member External Interests Register – Covering the processes in place to protect against ‘Insider Threat’ aspects of the SOC report.</p>					

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANTI FRAUD CULTURE	Continued							
Fraud Register	All	Non-Opinion	COMPLETE					Facilitation of the development of a fraud risk register – A fraud register has been produced and presented to Corporate Management Team. This will form part of Fraud Awareness E-Learning during 2018/19 with a view to integration into operational risk registers.
Corporate Fraud Policies	All	Non-Opinion	COMPLETE					<p>New / updated policies have been established for Anti-Fraud and Corruption Strategy and an associated Policy; together with the Anti Bribery Policy; Money Laundering Policy; and the Council Tax Reduction Scheme Prosecution Policy. These were presented to Audit Committee on 26 March 2018.</p> <p>Unplanned</p> <p>Corporate Criminal Offence legislation came into force in September 2017. Review undertaken as a self-assessment against standards and actions to ensure compliance.</p>

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
DELIVERING COUNCIL SERVICES THROUGH NEW WAYS OF WORKING								
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks								
Strategic Partnerships	Growth and Regeneration	Reasonable	0	1	2	1	4	COMPLETE A review of Skanska partnership management arrangements.
Strategic Partnerships	Growth and Regeneration							IN PROGRESS A review of NPS partnership governance arrangements.
Programme / Project Management	People and Communities	Reasonable	0	2	0	0	2	COMPLETE A review of project governance arrangements for Nene Park Academy Project to include compliance with corporate processes. Project management was found to be generally good with areas for enhancement around reporting to the project Board.
Contracts	Growth and Regeneration	Limited	0	9	8	1	18	COMPLETE Materials Recycling Facility – A review of contract arrangements to include data collection, performance, income sharing. A joint exercise being undertaken with other Cambridgeshire authorities which is being co-ordinated by Peterborough. See Appendix B for further details.
Commercial Activities	Growth and Regeneration							IN PROGRESS. A review of governance arrangements for the Peterborough Investment Partnership.

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								
Registrars	Resources	Substantial	n/a	n/a	n/a	n/a	n/a	COMPLETE. A review of certificate stocks and finances as part of the HMG Security Policy Framework showed that effective controls and processes are in place.
Leighton Primary School	People and Communities	Reasonable	0	1	3	0	4	COMPLETE Internal audit reviewed arrangements in place for key controls, building access, cleaning procurement, usage and stock control.
City College	People and Communities	Reasonable	0	0	1	2	3	COMPLETE The review was to provide assurance on key themes within the organisation to include Corporate Governance, Financial Governance, Value for money through procurement and commissioning works and Asset Management.
Winyates Follow Up	People and Communities	No	0	11	8	4	23	COMPLETE Report responses received to an in depth follow-up of a previous audit. Action points have already been followed up and are in progress.
Health and Safety								IN PROGRESS – Unplanned A review of Health and Safety internal governance arrangements.
Information Governance – Freedom of Information	Governance							IN PROGRESS A review of our compliance with ICO requirements focussing on information governance.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS - Continued								
Carbon Reduction Commitment - Norfolk Property Services - Transport and Environment	Growth and Regeneration	Reasonable Reasonable	0 0	0 0	1 0	3 5	4 5	COMPLETE As part of the verification work, process improvements were identified within energy management (NPS) and the capture and analysis of energy data (Transport and Environment Team).
Energy Management System	Growth and Regeneration	Non-Opinion	COMPLETE Consultancy advice regarding SystemsLink and associated business case. An operational decision was made not to pursue the new system.					
PCI DSS Compliance	Resources / Serco	Non-Opinion	0	0	0	4	4	COMPLETE – Unplanned A review of PCC's compliance with the self-assessment aspect of the standard. Information for management.
Financial Rules	Resources							IN PROGRESS Initial work has been undertaken along with feedback/advice. Audit activities will continue as the organisation progresses through the review of the policy.
Mayor's Charity	Governance	Annual Audit	COMPLETE - Unplanned Annual audit of the Mayor's Charity Fundraising Accounts					
Highways Asset Management System	Resources	Removed from plan – no longer required. Review of data quality and completeness of the Asset Management Valuation Toolkit. The toolkit was suspended by central government						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS - Continued								
School Places	People and Communities	Removed from plan – no longer required.						

GRANT	Department	ASSURANCE LEVEL	COMMENTARY
GRANTS AND OTHER CERTIFICATION	Certification of claims in relation to UK and European funding requirements		
Bus Service Operators 2016 / 2017	Growth and Regeneration	Certified	COMPLETE A grant to support bus services, including community transport services.
Local Transport Funding Grant 2016 / 2017	Growth and Regeneration	Certified	COMPLETE 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 2016 / 2017	Growth and Regeneration	Certified	COMPLETE A scheme to help local authorities to cut carbon emissions and create local growth
Disabled Facilities Grant 2016 / 2017	People and Communities	Certified	COMPLETE 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	COMPLETE Results based funding to support families meeting certain criteria. Verification of a sample of claims prior to all four of the claim submissions in 2017/18, and a review of Outcomes Plan and procedures.
NCLT Grant 2017 – Phoenix School	People and Communities	Certified	COMPLETE - Unplanned – Chargeable Works The National College for Leading and Teaching Grant 2017 – Work undertaken includes certification of bursaries, school to school support and core grant funding.
NCLT Grant 2017 – Hampton Hargate School	People and Communities	Certified	COMPLETE - The National College for Leading and Teaching Grant 2017 – Work undertaken includes certification of bursaries, school to school support and core grant funding.
Carbon Reduction Commitment	Growth and Regeneration	Annual Certification	COMPLETE Annual data validity audit and a review of changes to methodology with regards to a new automated system for data collection. Memos issued in relation to processes are detailed within Strategic and Operational Risks.

GRANTS AND OTHER CERTIFICATION	Continued		
Junction 20	Growth and Regeneration	Audit Verification	COMPLETE - Unplanned Verification of grant funds awarded through the Growth Deal Programme and appropriateness of funding application prior to third party certification.
Bourges Boulevard Phase 1	Growth and Regeneration	Audit Verification	COMPLETE - Unplanned Verification of grant funds awarded through the Growth Deal Programme and appropriateness of funding application prior to third party certification.
GRANT	Department	ASSURANCE LEVEL	COMMENTARY
Direct Debit Competition	Resources / Serco	Audit Verification	COMPLETE – Unplanned Adjudication and verification of the competition draw process.
Rogue Landlords Grant.	People and Communities	n/a	No longer Required. New funding to help councils tackle rogue landlords who let out substandard homes.

EXTERNAL WORKS	Work which generates income for the council
Combined Authority	1 review has been completed during the year.
Vivacity	9 reviews are completed 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 ACTIVITIES								
Highways Asset Management System	Resources	Reasonable	0	0	2	1	3	Complete A review of the Highways Network Asset Code prior to the CIPFA/LASAAC Code Board withdrawing the scheme.
Information Governance	Governance	Reasonable	0	4	8	5	17	Complete A review using the Information Commissioner's Office online self-assessment
Blue Badges	Resources	Limited	0	0	4	1	5	Complete A review of the processes for issuing and cancelling permits. See Appendix B
Cyber Security	Resources / Serco							In progress Findings from an external review are being evaluated by Serco ICT and PCC prior to Internal Audit determining what further action should be undertaken.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION								
Continued								
FOLLOW UP PROVISION								
Local Offer	People and Communities	N/A	n/a	n/a	n/a	n/a	n/a	Complete Management action plan has been implemented and is regularly monitored
Carbon Reduction Commitment Follow-up	Growth and Regeneration	N/A	n/a	n/a	n/a	n/a	n/a	Complete
Information Governance – Follow up	Governance		In Progress Action plan progress review for the 17 recommendations accepted within the previous audit report.					
Schools Statutory Testing	People and Communities / NPS		In Progress					
Blue Badge Follow-up	Growth and Regeneration		Deferred to 2018/19					
Statutory Testing follow - up	Growth and Regeneration / NPS		Deferred at the request of Department due to internal review of operational processes					

APPENDIX B**AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
1. Materials Recycling Facility Contract Review	Limited	16 July 2018
2. Blue Badges	Limited	16 July 2018
3. Winyates Primary School	No	16 July 2018

1...MRF CONTRACT REVIEW: Executive Summary

Introduction

This is an unplanned audit, which was performed at the request of the Cambridge and Peterborough Waste Partnership. It follows concerns raised by the contractor, Amey LG, regarding the long term financial viability of the materials recycling facility contract at Waterbeach, and their subsequent requests to alter the payment mechanism.

The audit was performed collaboratively, with the involvement of auditors from a number of the councils who are party to the contract. It was co-ordinated by Peterborough City Council.

Background

The Cambridge and Peterborough Waste Partnership (RECAP) work together to improve waste services, increase recycling rates and reduce waste. As part of this, some members of the partnership (Peterborough City, Cambridge City, South Cambridgeshire District, Fenland District, East Cambridgeshire District and Huntingdon District Councils) have contracted individually with Amey LG Ltd for the provision of transportation, sorting and onward sale of recyclable materials at a materials recycling facility (MRF). Councils are charged a gate-fee, and they receive 50% of the sales income that Amey achieve, both based on the weights of the various types of waste delivered.

Each council entered into the contract at different dates between 2014 and 2016, and the contract period ends in August 2019, with an option to extend for five years. Cambridgeshire County Council pay recycling credits to the District and City councils (all except Peterborough City), again based on the weight of waste delivered.

Objectives and Scope

The purpose of the audit was to review the operation of the contract under the Section 16 - Open Book Accounting terms. The overall aim was to ensure that Amey are accurately reporting material flows into and out of the facility, and using this information to accurately calculate the income share and charges due to the councils under the terms of the contract. In particular we sought to determine the following:

Input sampling process

- Whether sampling is representative of the materials delivered; proportions of different types of waste are calculated accurately; and source documentation matches the information reported on the monthly RECAP reports.

Output sales

- Whether average sales prices are being calculated accurately and with reference to actual sales prices; sales prices achieved are in line with

industry averages; income share is being calculated accurately for all recyclable materials; sorted materials are going to the organisations stated on the monthly report.

Performance Indicators

- Whether the target is being met for the Recycling Performance indicator.

The scope covered recycling data provided by Amey covering the period April 2016 to June 2017 for all RECAP members. This data showed that a total of 96,313 tonnes of waste was processed on behalf of RECAP for the period reviewed, at a net cost of just over £1 million. The review did not cover contract management processes or any environmental aspects.

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.

Conclusion and Opinion

Our review of the MRF contract was financially focused, concentrating on the data and source documentation on which Amey base their charges. A significant number of issues were found and detailed recommendations have been made. We are aware that a consultant was engaged to investigate other operational issues and facilitate discussions between RECAP members and Amey; the aim being to review options and find a way forward that provides value for money for RECAP members and a financially viable solution for Amey. An overview of our findings has already fed into this.

Whatever the outcome, it is crucial that sufficient contract management resource is available going forward to ensure that appropriate checks and balances are in place. Not only to confirm that charging is accurate, but to ensure that councils meet their own environmental aims and to satisfy their obligations to report against national indicators on waste.

The audit opinion is **Limited Assurance**.

2...BLUE BADGES: Executive Summary

Introduction

This Audit forms part of the 2017/18 plan and was included following a number of issues being found whilst carrying out routine National Fraud Initiative work.

Objectives and Scope

The purpose of the audit was to ensure that:

- Blue badge applications are assessed & approved and badges are only issued to eligible people.
- The appropriate administration fee is paid for each badge.
- BBIS is maintained and updated on a regular basis and Info@work holds all relevant and current documents.
- Arrangements for changes of circumstances / return of badges are in place

The scope covered the review of the blue badge application process and establish whether robust procedures & processes are in place and being followed.

Main Findings

At the time of the audit we found there were no formal, written procedures setting out how applications should be assessed and processed, although a flowchart 'Procedure for Approving Blue Badge Applications' was in place.

Some applications were found to have been processed and badges issued without supporting documentation or appropriate assessment.

A lack of evidence to support processes around management overview of applications: and segregation of duties was identified along with details not being maintained of who has collected badges or whether old ones have been returned prior to the issue of any renewals.

We were also unable to establish what action is taken to actively recover badges when the authority becomes aware that a badge holder has passed away.

Conclusion and Opinion

Blue badge administration has been moved around the Authority over the last couple of years, with a transfer to parking services in 2015 and

regulatory services last year. With each move there has been a lead in time for management to gain knowledge and understanding whilst overseeing a range of other services, during which time reliance has been placed on the capability and experience of the existing staff.

Blue badges as part of Regulatory Services sits within City Services and Communications Division. The service covers such diverse work areas as taxi enforcement, licensing, business regulation and trading standards. Management explained that when considering all the services provided by the section they believe there are areas of significantly higher risk than blue badges, where the key risks are around health and safety and personal security.

This has been reflected in the priority given to the observations, mainly in recognition of the timescale of delivery rather than the level of control weakness.

Audit consider improved management information will benefit the Blue Badge service by showing the Organisation how it is performing, where pressures lie and how they are distributed, enabling management to take a closer look at individual processes and potentially make efficiencies.

Audit see this review as an opportunity to clarify processes, produce documented procedures for future guidance and generally improve controls within the blue badge system.

6 The audit opinion is **Limited Assurance**.

3...WINYATES SCHOOL: Executive Summary

Introduction

An unplanned audit was conducted in July 2014 at the request of Winyates Primary School over a number of concerns, including significant delays in paying its invoices, and failure to produce accounts for its private funds (also known as the School Fund). Invoice payment delays had resulted in warning letters threatening discontinuation of services, and in one case legal action. The audit took place with the Finance Manager absent due to suspension, and the Executive Headteacher absent through illness. The audit found significant issues, in particular relating to the school's procurement practices. The school's scheme of financial delegation was unclear, and did not reflect the management structure in place. Issues were discussed with the Executive Headteacher and School Leader, and the school was issued with a draft audit report in November 2014. This resulted in a no assurance rating, with 28 recommendations made to improve processes and controls. Management provided an action plan in July 2015 to address the issues raised, and this was incorporated in the final version of the report.

Objectives and Scope

A new audit was conducted during 2016/17. The purpose of the audit was to:

- Ascertain whether actions agreed in the final audit report had been implemented
- Establish whether satisfactory controls exist within, and the extent of compliance with, the school's finance processes
- Assess compliance with PCC's Scheme for Financial Management for Schools, including the Supplementary Financial Regulations.

The scope covered ordering and payments, with particular focus on purchasing methods and timeliness of payment; examination of the school's bank accounts; and examination of the School Fund.

Main Findings

The main findings from the audit were:

- The school's management structure is still not adequately reflected in the Terms of Reference of the Finance Premises & Personnel Committee (FPPC), and any financial approvals given by holders of the School Leader post appear to be invalid as a result.
- The Financial Administration Document does not provide a satisfactory description of the school's expected financial procedures.
- The School Fund bank accounts (i.e. voluntary funds) have been closed down, and balances transferred to the school's main account. However no balance sheets have been produced to cover transactions from Sept 2013 onwards.
- Only just over half of the value of cheques issued from the e1 finance system were covered by purchase orders (POs). This meant that financial commitments were often not recorded against the budget at the time that goods or services were ordered.
- There appears to have been significant improvement in the timeliness of invoice payment since the last audit.

- Governors' minutes showed no evidence of discussion or approval of two purchases in excess of £10k, although this was required under the school's scheme of financial delegation. It is therefore unclear whether governors were aware of, or discussed and approved, these purchases. It is understood that there have been concerns over the quality of minutes prior to the appointment of the current clerk, and it may be the case that these purchases were discussed and approved, but had not been minuted.
- Six new Government Procurement Cards (GPCs) had been ordered, but had not arrived by the time of the audit visit. The Executive Headteacher's GPC had continued to be used by multiple officers. Under the council's Scheme for Financial Management of Schools, the Governing Body is responsible for approving cardholders, any expenditure limits, and what cards may be used for. However this did not appear to have taken place.

Conclusion and Opinion

To some extent, given the number of recommendations made previously, it is understandable that not all recommendations and agreed actions from the last audit had been fully implemented. A School Business Manager (SBM) was appointed from December 2014 to replace the vacant Finance Manager post. The SBM came from a banking background and understands the needs for effective internal controls, but has not previously worked in a school. It will have taken time for them to get to grips with school processes, and any inherited backlog of work. Nonetheless, the school's overall progress in implementing recommendations from the last audit has been disappointing. Of 14 recommendations rated high priority in the last audit report, 9 had either not been implemented or little progress had been made since the issues were first discussed with senior management. Not all recommendations can be implemented by the SBM without the necessary decision-making or guidance from senior management and governors. Review of governors' meeting minutes, found very little evidence of discussion of the issues requiring their attention.

During the audit, instances were found where purchase approval decisions required from the FPPC, could not be found in governors' meeting minutes. It is unclear whether this issue relates to a failure in minuting, or compliance within school. It is important that the full Governing Body (FGB) clarifies their scheme of financial delegation, taking into account the current managerial structure at the school, and that this is documented. The FGB may like to consider appointing a Responsible Officer to undertake periodic compliance checks to ensure that all decisions requiring governors' approval have been referred to governors at the correct time, with sufficient appropriate evidence to allow those decisions to be made.

The audit opinion remains **No Assurance**, in relation to the areas examined.

Since this review concluded further follow up work has been undertaken with regards to the schools action plan to audit recommendations which is in the process of being reviewed / evaluated.

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