

APPENDIX A



**INTERNAL AUDIT MID-YEAR
PROGRESS REPORT 2018 / 2019
(TO 31 OCTOBER 2018)**

1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2018 / 2019 Internal Plan. The information included in the progress report will feed into and inform our overall opinion in the Annual Audit Opinion 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.
- 1.2 This year, Internal Audit introduced a new assessment tool which allows us to continually assess risks and prioritise our work accordingly. As such, this report details the audits we plan to conduct, or which are underway, based on our current assessment of risk. Audits which are new have been highlighted in the table below. We will continue to appraise risk and refine our audit plans, therefore the audits listed in **Appendix B** that have yet to be started could be replaced if risk levels change.
- 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 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.

- 1.5 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.**

1.6 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

2. **EXTERNAL WORK and OTHER DUTIES**

- 2.1 Internal Audit provides audit services to the Combined Authority. Our original plan allocated 75 days to such work, and this has now increased to 100; the bulk of which is due to be carried out over the next 5 months. These reviews are client confidential and reports are only available to the Combined Authority. The work that we carry out for the Combined Authority is chargeable to them, and a Service Level Agreement is in development.
- 2.2 Internal Audit also provides audit services to Vivacity–Peterborough which is managed through a Service Level Agreement. The contract arrangements have been operational since 2010 and the work we carry out is chargeable to Vivacity. These reviews are client confidential and as a result their outcomes are only available to Vivacity. The original plan includes 75 days for this work and this has not changed.
- 2.3 The Chief Internal Auditor (CIA) also is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council, and separate reports are provided to the Audit Committee for these areas. The CIA also undertakes any Stage 2 Corporate Complaint reviews, as deemed appropriate.

3. **RESOURCES**

- 3.1 The 2018 / 2019 plan was compiled on the basis of an in house team with an establishment of 5.96 full time equivalent staff (FTE). One full time Senior Auditor post was vacant, leaving a 4.96 FTE resource, and therefore the original plan highlighted those audits that would not be achievable if the vacancy was not filled.
- 3.2 At this point in the year the Senior Auditor post remains vacant. However, there has been a slight increase in the hours of one member of staff. This brings the FTE for the year, for staff in post, to 5.1. We are also in the process of recruiting a temporary member of staff to assist with the increased requirements of the Combined Authority and to provide some cover for the vacancy. This will add approximately 0.5 FTE, bringing the total resource for the year to 5.6 FTEs.
- 3.3 The revised plan, detailed in **Appendix B** below, continues to highlight those audits that are not achievable within the currently available resource levels.

4. **PERFORMANCE and OUTPUTS**

- 4.1 A detailed commentary of the progress of the 2018 / 2019 Annual Plan is documented at **Appendix B**. The table below gives a summary of the status of all audit projects. The figures for the 'current plan' include the additional resources mentioned in 3.2 and 3.3.

	Peterborough	CPCA	Vivacity	TOTAL
PLANNED ACTIVITY				
Original Plan	54	9	10	73
ACTUAL ACTIVITY				
Complete	22	2	2	26
In Progress	23	2	4	29
Yet to do	14	7	4	25
Current Plan	59	11	10	80

- 4.2 There has been significant additional work carried out, compared to that originally planned, in the areas listed below. Further details on these specific audit areas can be found in **Appendix B**.
- Connecting Families
 - Mayor's Charities Fund
 - Combined Authority
- 4.3 There have been no finalised reports with a **LIMITED** or **NO** assurance rating to date. Audit Committee will be advised of any future reports falling within these categories as part of the audit committee timetable.
- 4.4 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 2018 / 2019 audit plans. There are no significant issues to be brought to the Committee's attention at this time.

Steve Crabtree
Chief Internal Auditor
October 2018

3 **PROGRESS AGAINST AGREED AUDIT PLAN****APPENDIX B**

Where audits are “shaded”, these represent those jobs not started at 31 October 2018.

AUDIT ACTIVITY	COMMENTARY
AUDIT ACTIVITIES	
Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
Annual Audit Opinion	Completed Annual Opinion 2017 / 2018 presented to Audit Committee on 16 July 2018.
Annual Governance Statement Review	Completed Annual Governance Statement 2017 / 2018 presented to Audit Committee on 16 July 2018.
Annual Investigations Report	Completed Annual Report 2017 / 2018 presented to Audit Committee on 16 July 2018.
Mid-Year Audit Progress Report	Completed Annual Audit Progress Report 2018 /2019 being presented to Audit Committee at this meeting, on 19 November 2018.
Internal Audit Effectiveness	In Progress Produce and implement an action plan, once a final report has been received, following an external review of Internal Audit against the PSIAS.
Information Governance	Ongoing As part of the development of sharing arrangements with Cambridgeshire County Council, a Strategic Board has been set up to oversee information management. This meets on a quarterly basis and the CIA attends.
Risk Management	Ongoing The CIA is a member of the Risk Management Board which meets on a monthly basis to review all departmental risk registers and the corporate risks which are held on the project management system, Verto. Escalation processes are in place to refer departmental risks through to CMT. Regular reports are provided to Audit Committee (last agenda item September 2018).

AUDIT ACTIVITY	COMMENTARY
AUDIT ACTIVITIES Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
National Fraud Initiative	<p>In Progress</p> <p>13 datasets have been extracted and are being reviewed for data quality. Once verified, these have been uploaded to the secure Cabinet Office site during October. Three further datasets are to be provided directly to the Cabinet Office by third parties (for example, DWP for Housing Benefits information).</p> <p>Following data matching by the Cabinet Office with other organisation's data, extracts are expected in February 2019 for investigation.</p>
Fraud / Compliance activities	<p>In conjunction with the DWP, local authorities will be developing joint working arrangements. Those authorities within the East region who are part of the agreement will be looking to put this into place before March 2019. As the Single Point of Contact (SPOC) for fraud and joint working with DWP, the CIA is in regular dialogue with DWP and a detailed workshop is planned for November 2018.</p> <p>A review / refresh of recently updated corporate fraud policies, such as: Anti-Fraud and Corruption Policy and Sanctions Policy will take place in Quarter 4.</p> <p>Raising awareness of fraud risks - training slides are being developed to cascade fraud awareness to officers and members.</p> <p>Investigations into alleged fraud or irregular activity, as required.</p>
Annual Audit Planning	<p>To commence quarter 3</p> <p>Establishment of the future plans for 2019 / 2020, including a review of the Strategy, Charter and Code of Ethics and a pre-planning report on emerging themes.</p>
Audit Committee Effectiveness	<p>To commence quarter 4</p> <p>An assessment of the operation of the Audit Committee in 2018 - 2019 against best practice.</p>

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 for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.		
CARRY FORWARD ACTIVITIES		
Peterborough investment Partnership JV	Growth and Regeneration	<p>In Draft</p> <p>A review of the governance arrangements for this joint venture.</p> <p>There are 2 high and 1 medium priority recommendations. The opinion is Reasonable. A key finding is the lack of a governance framework for all external/commercial bodies. Therefore there is no overarching scrutiny or monitoring of the performance; and limited guidance or training for the members and officers involved. The Interim Director of Law and Governance is in the process of designing a scrutiny and client management framework, and we have included a review of this in our plan.</p>
Norfolk Property Services JV	Growth and Regeneration	<p>In Progress</p> <p>A review of the governance arrangements for this joint venture and associated contract.</p>
Health and Safety	Growth and Regeneration	<p>Draft issued</p> <p>There are 3 high and 3 medium priority recommendations. The opinion is Reasonable.</p> <p>The Council's framework is reasonable, and there has been a significant amount of work done to update policies and procedures as a result of the move to Sand Martin House. Areas for improvement include the need to reconstitute a senior H&S Committee and the central monitoring of key H&S performance data.</p>
Freedom of Information	Governance	<p>In Progress</p> <p>An evaluation of the processes and systems in place to manage FOI requests.</p>

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 for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.		
CONSULTANCY ADVICE		
Google	Governance	Advice given on Gmail delegate permissions and new Google flexi-sheets and leave cards.
PayPal	Resources	Process control query about administering a PayPal account.
Agresso Access Permissions	Resources	Response to query about approving amendments to access permissions and financial authority within Agresso.
Financial Rules	Resources	Ongoing provision of advice and comment during a review of Financial Rules.
FOLLOW UP PROVISION		
Information Governance and GDPR	Governance	In Progress
Verto - Project Management	Resources	Complete All 4 recommendations have been implemented.
Nene Park Academy Project	People and Communities	Complete One recommendation has been implemented and one is in progress.
Materials Recycling Facility	Growth and Regeneration	In Progress
Winyates School	People and Communities	In progress

AUDIT ACTIVITY	Department	COMMENTARY
<p>OTHER RESOURCE PROVISION</p> <p>Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.</p>		
Statutory Testing	People and Communities	<p>To commence quarter 3.</p> <p>Two audit reviews are due for follow-up, one relates to schools specifically and the other to the Council.</p>
Blue Badges	Growth and Regeneration	<p>To commence quarter 3.</p> <p>A follow up of the previous audit report to review progress regarding application eligibility and changes of circumstances processes.</p>

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
CERTIFICATION			
Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.			
Disabled Facilities	People and Communities	Certified	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Bus Service Operators	Growth and Regeneration	Certified	A DfT grant to support bus services, including community transport services.
Integrated Transport Grant	Growth and Regeneration	Certified	A DfT scheme to help local authorities cut carbon emissions and create local growth.
Highways Maintenance	Growth and Regeneration	Certified	This DfT 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
Pothole Action Fund	Growth and Regeneration	Certified	A capital funded DfT grant to support pothole repairs.
National Productivity Investment Fund	Growth and Regeneration	Certified	New DfT funding for 2017/18 to improve local road networks and public transport.
Drought Damage	Growth and Regeneration	N/A	A DfT capital funded grant to support highway maintenance. As funds were received late, the grant has rolled forward and will be audited next year.
Connecting Families	Growth and Regeneration	Ongoing	A payments by results scheme from MHCLG. Claims are made monthly and there is a requirement to verify 10% of these. We are also required to review the Outcome's Plan, which describes how the Council will apply the qualification and success criteria. There is a significant increase in the number of claims being submitted as the scheme is nearing its conclusion.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
CERTIFICATION			
Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.			
Carbon Reduction Commitment	Growth and Regeneration	Certified	A requirement from the Environment Agency to verify the Council's submission of annual energy usage figures.
			In Progress Identification of areas for improving our energy management
Mayor's Charities Fund	Governance	Certified	The accounts maintained in relation to fund-raising for the Mayor's Charities in 2017 / 2018 have been audited in line with the Charity Commission requirements, and there are no matters to report. Following the decision to bring the treasurer role into the Council, Internal Audit have carried out the following work, additional to that originally planned: performed a detailed bank reconciliation; produced accounting statements for 16/17 and 17/18; advised on the form and content of the Trustee's Annual Report; restructured the spreadsheet used to record income and expenditure to enable easy reconciliations to take place and to automate the production of annual accounts for the future.
			In Progress Evaluation of the arrangements in place for managing funds, including financial and governance controls.

EXTERNAL WORKS	Work which generates income for the council
Combined Authority	1 unplanned and 1 planned review completed. 1 unplanned and 1 planned review in progress. The annual plan is being revised and now includes 11 audit reviews compared to an original 9, as well as additional time for management overheads, which have increased since the original plan was produced.
Vivacity	2 reviews completed and 4 reviews in progress from a planned programme of 10 reviews.

AUDIT ACTIVITY	Department	Priority	COMMENTARY
Prioritised Audits for Review			
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
Section 1 – Audits achievable with planned resources			
Budgetary Control	Resources	H	Review of arrangements for delivering savings within the MTFs and the monitoring to ensure they are complied with, or alternative proposals brought forward to meet shortfalls
Peterborough Live / Amey NEW	Growth and Regeneration	H	In Progress A critical friend role as arrangements are made to transfer services from the Amey contract to a wholly owned local authority trading company.
Safeguarding	People and Communities	H	In Progress A follow-up of recommendations from an external review of ASC safeguarding practice, following a particular safeguarding incident.
Project Management	Resources	H	Mapping of controls to assurances based on the Three Lines of Defence model. New activity - designed to feed into the annual audit opinion and to drive future Internal Audit work where appropriate. Or a review of specific projects – to be identified.
Contracting Governance	Governance	H	In Progress Mapping of controls to assurances based on the Three Lines of Defence model. New activity - designed to feed into the annual audit opinion and to drive future Internal Audit work where appropriate.

Cyber Security	Resources	H	In Progress IT security arrangements provided by Serco.
Business Continuity and Disaster Recovery	Resources	H	A watching brief on the development of Council plans for business continuity, via attendance at the Information Governance Strategy Board. A review of the disaster recovery protocols implemented by Serco IT.
Commercial Entities Governance NEW	Governance	H	A review of the new scrutiny and client management arrangements being planned for all external bodies (such as Peterborough Live, Peterborough Investment Partnership JV, Opportunity Peterborough, The Mayor's Charities Fund, Norfolk Property Services JV etc.).
Debt Recovery	Resources	H	In Progress A follow on review of debt recovery arrangements centrally and within specific departments to establish the effectiveness and progress of recovery arrangements since the previous review in 2017/18.
IT Strategy	Resources	H	In Progress Critical friend role via the Strategic Governance Board.
S75 Contract NEW	Public Health	H	In Progress A review of the section 75 contract in place between the Council and the CPFT to include contract delivery, monitoring and expenditure arrangements.
Fraud Risks	ALL	H	Proactive testing of high risk areas.
Taxi Licensing NEW	Growth and Regeneration	H	In Progress A review of the Hackney Carriage and Private Hire licensing process. To also ensure that safeguarding legislation (Policing and Crime Act 2017) along with right to work legislation (Immigration Act 2016) has been reflected in the process.

Corporate Board Structure	Governance	H	A new corporate board structure is to be implemented to streamline roles and accountabilities at a senior management level. It is unlikely to be in place this year as a review of scrutiny arrangements for external/commercial bodies is taking precedence. We will review this area once in place and embedded, so the audit may be deferred until next year.
Pupil Referral Unit	People and Communities	H	A review of governance, including VFM on contracts and asset management, now that this unit is 'arm's length' under an SLA.
Family Safeguarding	People and Communities	H	Funding from DfE to establish new approach. A review of the governance in place to achieve the required outcomes.
Gifts and Hospitality	Governance	H	In Draft A review of policies and compliance for Members and Officers with this aspect of the Code of Corporate Governance. Inclusion of Key Partners to ensure appropriate policies and processes are in place to demonstrate a shared view of the council's ethical values and core principles. While policies and processes are in place, there is a need to raise awareness and remind staff of their obligations. There are 3 medium and 1 low priority recommendations. The opinion is Reasonable .
Permanency Contract (TACT)	People and Communities	H	A review of contract management arrangements or an open book review of operational activities.
Discovery Primary School	People and Communities	H	In Draft A review of procurement and payment processes to a specified supplier, including governance arrangements. There are 2 high and 2 medium priority recommendations. No opinion is provided on the overall procurement environment as the review was specific to 2 payments and one supplier.
Passenger Transport Contract NEW	Growth and Regeneration	H	In Progress A review of Passenger Transport procurement and contract management arrangements to include safeguarding.

Right to Work	Governance	H	<p>In Progress</p> <p>Regular immigration checks should be performed to ensure that the Council is compliant with legislation and that there are no employees who have overstayed their visa restrictions etc. The Council could be liable to fines if it is found that checks were not being performed etc.</p> <p>A request was received from Human Resources for a compliance check on all records held, verifying that records are in line with the level of entry to the UK and that records are also retained for ex-employees in line with legislation.</p>
Commissioning	People and Communities	H	Commissioning/Brokerage arrangements covering PCC and CCC (in collaboration with CCC Internal Audit)

AUDIT ACTIVITY	Department	Priority	COMMENTARY
Prioritised Audits for Review			
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
Section 2 – Audits not achievable with planned resources			
Asset Management	Growth and Regeneration	H	To ensure processes are in place to keep the asset register up-to-date and accurate. To review the effectiveness of, and responsibilities for, facilities management.
Medesham Homes JV	Growth and Regeneration	H	Governance arrangements and strategy of this joint venture with Cross Keys.
Serco IT/PSSP contracts	Resources	H	To consider whether contract management arrangements ensure that contract terms are met.
Payroll	Resources	M	Arrangements to ensure that pay and expenses are accurate and valid.
Data Quality	Governance	M	A review of some of the issues causing poor data quality.
Treasury	Resources	M	A review of processes in place to manage investments and cash flow, following a strategy refresh.
Capital Budgetary Control	Resources	M	A review of the new process for approving capital spend.
NNDR/Council Tax	Resources	M	Arrangements to ensure that all income due is identified, billed and recovered.
Opportunity Peterborough	Growth and Regeneration	M	To cover governance arrangements for the wholly owned subsidiary.
Shared Services	Governance	M	Review of the framework governing shared service arrangements. May include a review of specific shared service arrangements, including performance management and achievement of savings.
Member Support	Governance	M	Processes in place to provide member training, including IT usage.