

**ANNUAL AUDIT OPINION
2021 / 2022**



ANNUAL REPORT

Introduction

Arriving at an Opinion

Opinion 2021 / 2022

Basis of Annual Opinion

Resourcing and Performance

Assurance Levels and Recommendations

Appendix B Audit Reports Issued: Opinion of Limited Assurance or No Assurance

INTRODUCTION

The Public Sector Internal Audit Standards (PSIAS) states that the Chief Audit Executive must produce an annual report that can be used to inform the Annual Governance Statement, which forms part of the Council's accounts. It must include an opinion on the overall adequacy of the governance, risk and control framework; a summary of the work from which the opinion is derived and a statement on conformance with the PSIAS. This report, the Annual Audit Opinion, fulfils these requirements.

The Chief Audit Executive (CAE) at Peterborough City Council is the Chief Internal Auditor, who reports to the Director of Resources and S.151 Officer.

ARRIVING AT AN OPINION

Background

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2021 / 2022. 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 PSIAS and 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.

Risk Based Planning

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. In an ever changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council, and this has been particularly important this year. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. Our approach gives precedence to areas assessed as high risk, although we aim to provide coverage over a wide range of activities, as listed below, to ensure our opinion is comprehensive.

- Corporate Governance, including information governance and risk management
- Partnerships and external organisations
- Programmes and projects
- Contracts and procurement
- Financial systems
- Service delivery risks
- Anti-fraud culture

Impact of Covid-19

As a result of the continuing impact of the Covid-19 pandemic during the year, Internal Audit has reacted to the changing environment as the organisation has moved towards business as usual in the latter part of the year. Areas of work, in particular grants have expanded as the government has made more funding available for the authority to administer on their behalf, which also requires assurance to be provided by internal audit. This area of work will continue into 2022 / 23.

Due to the continuing activities of the Covid-19 Co-ordination Hub, a Senior Auditor has remained in a long term seconded role for the year in the hub, which has been funded by covid-19 grants. This has resulted in the Senior Auditor post remaining being vacant for the year, resulting in a reduced resource capacity, although some successful recruitment took place for another vacancy within the team.

The way that the team has delivered audit services during the year has also evolved due to the accessibility of buildings. Greater use has been made of using technology for meetings but where there has been a business need face to face work has been undertaken. The team are now moving towards a hybrid approach of working which will include some office based and remote working.

We have continued to respond to changes and new initiatives requested by management which has resulted in some pandemic related consultancy work. Consultancy work does not always offer the same degree of assurance because it relies on a theoretical knowledge of the system under review, and does not obtain evidence to support an evaluation of how the system is working in practice. However, we consider this to be an appropriate response to the situation and enabled us to provide greater coverage than we otherwise would have been able to. Therefore, we have considered our consultancy work when formulating the Annual Audit Opinion.

Our work has also been impacted by the need to allow management to prioritise their emergency response which may involve target completion deadlines. This has led in some cases to a longer time span to complete audits where other areas of work has taken priority, or to obtain responses to recommendations, but all significant work has been completed within the year.

The Audit Review

There are two key 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 how well the control framework has been designed to mitigate identified risk, and whether there are any gaps in control.

- 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 operating in practice. This element of the review enables internal audit to form a view on the extent of compliance with the control framework.

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 have not generally resulted in a formal audit report with an opinion – such as consultancy work, grant reviews and involvement in working groups. The process for consultancy has been reviewed during the year and where possible an audit opinion is now being applied resulting in some activities having an opinion applied. The protocol for this will be further developed during 2022 / 23. Where certification of grant work has been undertaken this 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.

OPINION 2021 / 2022

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 2021 / 2022 internal audit plan;
- 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;
- 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 Council's 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.

I am required to provide an opinion on Governance, Risk Management and Internal Control. Internal Audit's coverage of Risk Management has been enhanced from previous years with an independent review being undertaken in addition to the challenge role within the Risk Management Board. Whilst, the pandemic to a

certain degree has continued to have an effect on the quantity and coverage of internal audit reviews of governance and internal controls, it is considered that sufficient work has been completed during the year to arrive at this opinion.

Following consideration of the above I am able to provide the following Opinion for 2021 / 2022:

*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
July 2022

BASIS OF ANNUAL OPINION

The audit work that was completed for the year to 31 March 2022 is detailed at the end of this 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 78% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2019-20: 70% and 2020-21: 87%).

AUDIT ASSURANCE						
Assurance Levels	Numbers			%		
	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Substantial	2	0	1	10	0	5
Reasonable	14	13	15	70	87	73
Limited	4	2	7	20	13	22
No	0	0	0	0	0	0
	20	15	23	100	100	100
Certified	13	10	13			
Consultancy	22	22	10			
	35	32	23			

RECOMMENDATIONS MADE			
	Numbers		
	2019/20	2020/21	2021/22
Low	27	11	27
Medium	44	28	59
High	40	9	26
Critical	0	0	0
	111	48	112

In addition to the audits detailed in the above table, further audit work was carried out which feeds into the overall opinion, including 8 governance reports.

It should also be noted that Chief internal Auditor reviewed 26 Corporate Complaints in year which saw an increase of 8 cases from the previous year.

At the year-end 7 audit reviews were in progress and audit opinions relating to these will be reported during 2021-22 as part of the agreed performance reporting timetable to the Audit Committee.

Scope Limitations and Impairments

PSIAS states that the CAE should disclose any impairments or restrictions to the scope of Internal Audit work. Our Internal Audit Charter sets out our remit and authority to have full, free and unrestricted access to any of the organisation's records, assets and people. This includes access to organisations where council data is processed as part of a contractual arrangement.

In line with the PSIAS, we have a process for team members to declare any interests that may impact on the impartiality of our work. I can confirm that all declarations have been made as necessary, and no conflicts have occurred during 2021-22 that have impaired the work carried out.

Where the CAE has roles or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. The CAE at Peterborough manages the Insurance and Investigations teams, conducts stage 2 corporate complaint reviews and acts as a reserve approver for payments from the Council's bank accounts. Our Charter states that, should we carry out an audit of these areas, the work will be quality assured independently from the CAE. The CAE can confirm that in relation to the Risk Management audit they was not involved with any aspect of the audit management and it's quality review. It should also be noted that during 2021 / 22 the CAE was not required to authorise any bank payments.

Implementation of Recommendations

We followed up 10 audit activities. In total, 59% of agreed actions have been implemented, 21% were in progress and 20% were either no longer relevant or not implemented at the time of the review. The individual reviews are detailed within the table of activities within the report. Executive summaries for reviews such as Energy Management and Procurement Card processes that are still areas of concern have been included within appendix B due to being allocated limited assurance. Where important recommendations have not yet been actioned, we will continue to track progress.

	Critical	High	Medium	Low	Total	%
Recommendations Agreed	0	32	46	25	103	
Implemented	0	16	29	15	60	59
Partial / In progress	0	8	9	5	22	21
Alternative actions taken	0	0	2	0	2	1
No longer relevant / not implemented	0	8	6	5	19	19

Corporate Governance

Internal Audit produced a control self-assessment questionnaires for Directors and senior management to complete. A review of responses identified issues to feed into the Annual Governance Statement. The new significant issues to be addressed are reported elsewhere on the Audit Committee agenda.

The Risk Management Board is chaired by the Director of Resources and S151 Officer and has representation from all directorates, along with Insurance and Internal Audit. Departmental risk registers are updated and discussed at each meeting (approximately every six weeks) and recorded on POWA, our project management system. Issues that are assessed with a high level of risk are escalated to the Strategic Risk Register, and reported to Audit Committee. Internal Audit led on Fraud Risks and the development of the COVID-19 risk register. This was monitored and updated on a regular basis as risks emerged during the pandemic. It has now been incorporated into departmental risk registers.

An audit review was undertaken during the year which included an overview of strategy, policy and governance arrangements. This was given a reasonable assurance rating based on the high level review with the intention to drill further into operational processes and their effectiveness during 2022 / 23.

Internal Audit have been involved in the Information Management Strategic Board meetings, with particular focus on cyber security issues and progress of the IT strategy during the return of IT management from Serco to the Council. Other areas have included policy reviews and information governance performance / incident reporting.

A separate Cyber Security review was also undertaken which focussed on actions taken following an external review. Action plans identified that areas remained outstanding with no target implementation dates. The report was presented to Audit Committee in November 2021 with an officer from the Customer and Digital Directorate in attendance to answer questions.

Anti-fraud Culture

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. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. Internal Audit has not been involved in any major fraud investigations this year. Significant work has been carried out with regards to the National Fraud Initiative. This statutory exercise involves data matching of public and private sector data to detect potential fraud and outcomes of the work undertaken by internal audit are incorporated within the investigations annual report.

Financial Governance

Financial Resilience – improvement plans. Significant work had been ongoing within the business as a result of the organisations position in relation to financial resilience. The Chief Internal Auditor was selected as part of a senior manager working group to work through the various external governance reviews undertaken and establish a coherent Improvement Plan to move the Council to future sustainability and better financial governance. This was approved by Council and submitted to DHLUC.

The Sundry Debtors system had been reviewed and followed up during the year. Overall, it was found that there is evidence of sundry debt management activity being undertaken but there were opportunities to formalise processes further around stakeholder roles and responsibilities. A significant factor for current outstanding debt is unpaid invoices by local Care Commissioning Groups due to disagreement over funding recharge structures. This was a known issue which was found to be actively being addressed when the follow up review was undertaken.

A review of the procurement card system was also undertaken to establish what process changes had been made as a result of response to the pandemic and any effect on the control environment. The impact of covid-19 on processes was found to be minimal however it was found that generally the control environment could be improved. Subsequent follow up action did not demonstrate that recommendations had been sufficiently implemented resulting in a further limited assurance rating.

Work that is ongoing includes a review of payroll and Pension Services processes, particularly around amendment to posts and the accuracy of calculations.

We also undertook various consultancy activities which included advice:

- during the development of a one-off process for customer refunds regarding brown bins.
- regarding the Mosaic system where changes in process for system payments were implemented.
- around the development of an electronic 113 agreement in relation to shared services following the restructure and merger of CCC and PCC IT service teams.

Partnerships and External Organisations

A follow up review was performed regarding the Shareholder Cabinet Committee. There had previously been 6 recommendations which related to governance around the committee and client management arrangements. No areas of concern were identified.

We also carried out a financial audit of the Mayor's Charities Fund for 2020/21. This was not necessary under Charity Commission requirements, as the income level fell under a threshold, however management requested the work to provide assurance prior to disbursement of funds.

Consultancy advice in relation to the process of precept setting and internal and external audit for Parish Councils was also undertaken.

COVID – 19

Time has been spent on government led initiatives to support the economy, the key one being Business Support Grants. Initial advice was given during the scheme set-up and work has been conducted (and is still underway) to provide assurance that payments have been in line with the criteria set. This work is being carried out under the guidance from the Department of Business, Energy and Industrial Strategy and includes monthly reporting requirements; risk assessments for each scheme; development of post-payment assurance plans and testing work to identify fraud and error. Work now includes provision of evidence to BEIS in respect of the council's pre- and post-payment assurance work.

In addition to Business Support Grants a number of funding payments have been received from the Arts Council to support cultural organisations during the covid pandemic where services were affected due to government restrictions.

We have also reviewed Compliance and Enforcement grant activities in relation to Covid-19, which included the cost of our Covid Marshalls.

Service Delivery

A range of Audit activities have been undertaken within this area some of which include:

IT Asset Management Follow-up which had previously been flagged as an area of concern. Considerable progress has been found to have been made in year regarding the development of a live asset register.

Planning Procedures and Governance reviewed the assessment of applications against the development plan, approval processes, supporting information and the effectiveness of the Planning and Environmental Protection committee. The review found that management are maintaining comprehensive documentary evidence to support planning decisions made. There was also evidence of good Councillor and Committee engagement, including performance reporting.

Towns Fund – A review of the governance arrangement in place for the management of funds issued from central government was found to be operating satisfactorily. The work undertaken was also used to provide assurance for certification purposes. A further project review is due to commence in 2022 / 23.

The HR Management System was reviewed initially to establish the effectiveness of sickness absence management processes within the system. Gaps in data in the use of the system was identified and the scope was extended further to include annual leave as part of the follow up arrangements. The HR team are actively monitoring the issues raised via system reporting that has been developed during the year and further follow up review will establish the effectiveness of actions implemented.

Regional Adoption Agency operations were previously undertaken by TACT on behalf of the council and arrangements were made to bring the service back inhouse as a shared service with County, albeit with County overseeing the joint financials. The review encompassed the governance around the joint arrangement, contract and partnership monitoring arrangements along with financial monitoring. Some governance arrangement improvements have been recommended which will be followed up during 2022 / 23.

Project Reviews have included the Middleholme Project where concerns around project governance what identified. A summary of the review is attached in appendix B. A review of the Disaster Recovery Project was also undertaken which reviewed the key objectives of the project.

Business Continuity follow up which identified that limited progress has been made on implementing the centralised aspect of business continuity primarily due to staff shortages. Work is also in progress relating to departmental business continuity plans.

A significant follow-up of Energy Management was also conducted to determine progress of recommendations from the original Internal Audit report which included contractual arrangements, data collection and monitoring and payment of invoices. Whilst progress has been made there are still some key areas remaining to be actioned. See appendix B for further information.

Cambridge County undertook a review of the Healthy Child Contract which is a shared service arrangement and assurance has been used as part of our working protocol. The review identified the current terms of the Agreement are not sufficient to drive provider performance, quality and effectiveness. In particular, there is a lack of financial transparency which impedes the Authority's ability to demonstrate that the contract represents value for money due to the lack of a pricing schedule. County have confirmed that actions are already being implemented and an update will be provided once complete. See appendix B for further information.

There has been a limited amount of work undertaken in year regarding contract activities. This has been primarily due to the organisation focussing on key contracts as part of the improvement planning process which has drawn on external bodies to assist management. However within each audit scope consideration is given to any contractual issues that may arise. We also look to obtain assurance from Cambridge County internal audit team where there are implications for the organisation. The Healthy Child Contract being an example of this. Additionally, there is now a Contracts specialism within the newly restructured IT department and there are plans to develop a contract management framework, initially for IT contracts. We will work closely with them on this over the coming year to better inform the control environment for this area of business activity.

Significant Issues

The PSIAS state that the Chief Audit Executive should report any issues considered particularly relevant to the preparation of the Annual Governance Statement. The following areas are noteworthy.

- Cyber Security: At the time of our audit being undertaken it was found that despite the creation of a Cyber Security Board in 2020 to provide specific governance over IT and cyber security no meetings had taken place. An external IT audit identified remedial actions were required such as unsupported operating systems and cyber incident management plan update. IT action plans indicated that key remedial actions remained outstanding with no target dates for completion. This was brought to the attention of the Audit Committee and an officer from the Customer and Digital Directorate attended a meeting in November to discuss what remedial action was going to be taken in response to the audit findings. Follow up action has been taken with recommendations either having been implemented or in the process of being addressed. This will be further tracked into 2022 / 23.
- Business Continuity: Emergency Planning is a shared service with County. Whilst the overarching strategy, co-ordination and tracking of business continuity is undertaken centrally, the responsibility for the establishment, operation and review of business continuity plans is that of each directorate. Due to resourcing issues, actions from a previous report had not been implemented centrally and business continuity tracking information was found to be incomplete.
- Programme and Project Management: Internal Audit review of project management has identified areas for improvement within its processes. The existing system is provided jointly to PCC / CCC and is on the POWER-BI platform. Current regulations refer to the use of Programme and Project Management procedures, although these do not exist in a standard and consistent form. In the absence of a standardised project management process,

several project initiation and approval processes have been adopted using different project initiation and business case proformas, e.g., capital programme projects, Rapid Improvement Team projects, IT projects. Similarly, a review of the Middleholme Project identified significant areas of concern around capital programme approval, ownership and responsibilities as well as financial management.

Limited and No Assurance reports

The audits listed below have resulted in a limited or no assurance opinion. In line with our Internal Audit Charter, where the resultant reports have been issued as a final, executive summaries are provided for your information (see table at the end of this report). Reports with limited assurance that are in draft will be presented to Audit Committee once they are finalised. Five reports fall into this category.

Reports for 25 July 2022:

- Programme and Project Management
- Energy Management Follow-up
- Middleholme Remedial Project
- Procurement Card / Procurement Card Follow Up
- Healthy Child Contract (CCC)

RESOURCING AND PERFORMANCE

Resourcing

Internal Audit is an in house team with an establishment of 6.1 full time equivalent staff (FTE). During 2021 / 2022, it was agreed that one member of the team could remain in the covid-19 hub for a further year to assist with business operations. The team also had a vacancy for a senior auditor post, which was recruited to permanently in year resulting in a 0.75FTE. The table below shows a further reduction in time available to Internal Audit at the Council in two ways. | Firstly is shows the direct time for audit activities and secondly the non-audit work which relates to the Chief Internal Auditor's role in managing the Insurance and Investigations teams, reviewing stage three complaints and involvement in the Job Evaluation panel.

	No. of posts	Planned	Total in post for 2021/22	Audit Work PCC	Non-Audit Work	Total FTE available for PCC
	Posts	FTE	FTE	%	%	FTE
Chief Internal Auditor	1.0	1.00	1.00	47	53	0.47
Group Auditor	2.0	1.60	1.60	96	5	1.55
Principal Auditor	1.0	0.50	0.50	100	-	0.40
Senior Auditor	2.0	2.00	0.75	100		0.75
Auditor	1.0	1.00	1.00	100	2	0.98
TOTAL	7.0	6.10	4.85			4.15

Performance

We have delivered 779 audit days against an original plan of 706 days. The increased number of days can be contributed to less time being attributed than previously provided for regarding indirect time overheads such as sickness, a corporate initiative to allow additional leave entitlement to be carried over into 2022 / 23 and additional hours being worked in year.

In accordance with best practice, the Annual Audit Plan was re-assessed throughout the year to ensure it was aligned to changing risks and priorities. The plan was presented to Audit Committee March 2021 and contained 57 reviews. Although some reviews have been removed, others added, and scopes of work have been changed, we have completed 54 pieces of work and have 7 currently in progress.

Quality Assurance

Compliance with Public Sector Internal Audit Standards:

An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) in November 2018 awarded the team with a Full Compliance Opinion. This assessment is required to be conducted every five years. The Internal Audit Service has continued to operate in compliance with PSIAS throughout the 2021/22.

Improvement Plan:

Internal Audit have developed an improvement plan in response to the recommendations of best practice contained within the above report and including our service development plans. Progress to date includes:

- Ongoing revision of our Audit Charter, Annual Audit Opinion and progress reports to Audit Committee.
- Update of our documented working practices, particularly follow-up processes.
- A review of how we track recommendations, the outcome of this will be demonstrated during 2022 / 23.
- Processes for audit outputs i.e., memos to ensure and audit opinion is applied where practical.
- Further development of a protocol with Cambridgeshire County Council Internal Audit for auditing services that are shared between the Councils and the assurance that can be placed on the review work undertaken.

Training:

Continuing professional development is a key aspect of the quality assurance programme, to ensure staff have the skills to carry out their responsibilities. There is a limited budget to purchase formal training, and we utilise free webinars, network events and team meetings to deliver training. Staff are also encouraged to carry out their own reading and research. There is also regular supervision of staff and all audits are subject to a quality review by the Group Auditors to ensure standards and quality are maintained. The team is presently exploring other ways of staff development where an apprenticeship role is being considered subject to funding availability.

ASSURANCE LEVELS AND RECOMMENDATIONS 2021 / 2022

Audit Activity	Department	Audit Type	Assurance opinion	Description
ANNUAL GOVERNANCE AND ASSURANCE				
Annual Governance Statement Review	All	Consultancy	n/a	Production of control self-assessment questionnaires for Directors and senior management. Review of responses to feed into the Annual Governance Statement for new significant issues to be addressed. Review, analysis of previous AGS and update previous areas requirement improvement. Progress against actions demonstrated and either deleted as achieved or rolled forward. Development of the AGS in Conjunction with the Corporate Director of Resources. Annual Governance Statement 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Governance Statement 2021 / 2022 presented to Audit Committee on 25 July 2022
Annual Investigations Report	All	Consultancy	n/a	Annual Report for 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Report for 2021 / 2022 presented to Audit Committee on 25 July 2022.
Annual Insurance Report	All	Consultancy	n/a	Annual Report for 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Report for 2021 / 2022 presented to Audit Committee on 25 July 2022.
Annual Audit Opinion	All	Consultancy	n/a	Mid-year progress for 2021 / 2022 was presented to Audit Committee on 29 November 2021.
				Annual Opinion for 2020 / 2021 presented to Audit Committee on 29 July 2021. Annual Opinion for 2021 / 2022 presented to Audit Committee on 25 July 2022.
Annual Audit Plan & Strategy	All	Consultancy	n/a	For the production of the IA plan for 2022-23 a discussion report was presented to Audit Committee on emerging themes and planning approach on 21 February 2022. The Plan, Strategy, Code of Ethics and Charter were presented to Audit Committee on 21 March 2022.
Internal Audit Effectiveness	All	Consultancy	n/a	On-going monitoring, review and update against the PSIAS standards and associated action plan.
Audit Committee Effectiveness	All	Consultancy	n/a	Annual review for 2020 / 2021 was reported to Audit Committee on 29 July 2021.
				Annual review for 2021 / 2022 was reported to Audit Committee on 25 July 2022.

Audit Activity	Department	Audit Type	Assurance opinion	Description
CORPORATE GOVERNANCE				
Information Governance	All	Consultancy	n/a	Ongoing Involvement in the Information Management Strategic Board and any emerging issues, a shared arrangement with PCC and CCC.
Shareholder Cabinet Committee	All	Consultancy	n/a	Completed A report providing SCC with details of all audit activities undertaken to support the workings of the committee. Presented to Committee on 13 September 2021
Risk Management	All	Consultancy	n/a	Ongoing Membership of the Risk Management Board which meets approximately every six weeks and reviews all departmental risk registers. Risk registers are held on software (POWA) in conjunction with County. Reports were provided to Audit Committee on 21 March 2022. Risk Management was also reviewed as an audit and report details can be found further in the report. Chief Internal Auditor is the current lead officer in terms of coordinating the development and implementation of risk management across the Council.
National Fraud Initiative	All	Consultancy	n/a	Complete Bi-annual exercise where data matching undertaken. Data submitted in October 2020 and matches start to be received in January / February 2021. Additional data included in this exercise related to grants made payable to businesses as part of Covid-19 payments. Further details of matches and progress were reported to Audit Committee on 21 February 2022 and also in the Annual Investigation Report presented in 25 July 2022.
Anti-Fraud Policies	All	Consultancy	n/a	Complete Counter Fraud Policies are refreshed on regular basis. Fraud Policies presented to Audit Committee on 21 February comprised: <ul style="list-style-type: none"> • Money Laundering • Sanctions and Prosecution Policy – Council Tax • Sanctions and Prosecution Policy – Blue Badges and Parking Permits

AUDIT ACTIVITY	Department	Audit Type	Assurance opinion	RECOMMENDATIONS MADE					COMMENTARY
				Critical	High	Med	Low	Total	
FINANCIAL SYSTEMS									
Sundry Debtors	Serco / All	Risk Based	Reasonable	0	0	6	6	12	Complete A review to assess the adequacy of sundry debt management to ensure that revenue due to the Council is maximised, avoiding the need to write off uncollected debt.
		Follow Up	Substantial	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of agreed actions. 11 actions have been implemented with 1 action in a draft position.
Procurement Card System	Resources	Risk Based	Reasonable	0	3	3	2	8	Complete A review of changes to processes in response to the pandemic. No recommendations were made.
			Limited						Comments and recommendations were also made relating to business-as-usual aspects of the system.
Procurement Card System	Resources	Follow Up	Limited	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of recommendation made. Of the 8 recommendations made 2 had been partially implemented, 2 were in progress and 4 were yet to be actioned.
Payroll And Pension Processes	Resources / Serco	Risk Based							In progress Reviewing the arrangements between Payroll and Pension Services for making amendments to posts etc., the frequency of changes being made and checks performed by each on the accuracy of calculations.
Shared Services	IT and Digital	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete

									Consultancy advice regarding the development of an electronic 113 agreement following the restructure and merger of CCC and PCC IT service teams.
Waste Collection Refunds	Resources	Consultancy	Reasonable	0	0	3	5	8	Complete Control advice on the development of a one-off automated process for customer refunds regarding brown bins. An appropriate response to the recommendations made was provided before the refunds were made.
Mosaic Payment Controls	People and Communities	Consultancy	Reasonable	0	0	2	2	4	Complete Consultancy advice regarding the changes in process for system payments.
		Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Follow up of recommendations regarding the review above.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
EXTERNAL ORGANISATIONS									
External Bodies Oversight – Shareholder Cabinet Committee	All	Follow up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of agreed actions (6 recommendations) regarding the arrangements for oversight of external organisations including the Shareholder Cabinet Committee and client management arrangements.
Newborough Parish council	Law and Governance	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Liaison between Finance, Audit and Legal to provide advice relating to queries raised about precept setting and the process of audit within Parish Councils.

City Culture Peterborough - Vivacity	People and Communities	Risk Based	n/a	n/a	n/a	n/a	n/a	n/a	No Further Action Planning work commenced and it was agreed that work would be suspended due to improvement planning arrangements and would recommence if required following outcomes.
Mayor's Charity	Law and Governance	Consultancy	Reasonable	0	0	0	0	0	Complete Funds for this charity fell below the Charities Commission threshold in 2020 / 21 and therefore an audit under the regulations was not required. However, management requested a review of the accounts to provide assurance that they were accurate and complete prior to the release of funds to the nominated charities. Due to limited transactions a follow up to previous recommendations will be undertaken during 2022/23 where there will more data to evaluate processes.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
COVID-19									
COVID-19 – Business Support Grants Schemes	Resources	Risk Based / Consultancy	In progress Initial advice was given during the scheme set-up and work has been conducted to provide assurance that payments have been in line with the criteria set. This work was carried out under guidance from the Department of Business, Energy and Industrial Strategy (BEIS) and included: monthly reporting requirements; risk assessments for each scheme; development of post-payment assurance plans and testing work to identify fraud and error. Work now includes provision of evidence to BEIS in respect of the council's pre- and post-payment assurance work.						
Compliance and Enforcement Grant	Resources	Grant	Certified	A grant supplied to cover compliance and enforcement activity in relation to Covid-19, which included the cost of our Covid Marshalls.					
City College Arts Cultural Recovery Fund – Round 1	People and Communities	Grant	Certified	Additional funding received from the Arts Council to support cultural organisations during the covid pandemic where services were affected due to government restrictions.					

City College Arts Cultural Recovery Fund – Round 2	People and Communities	Grant	Certified	Additional funding received from the Arts Council to support cultural organisations during the covid pandemic where services were affected due to government restrictions.
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Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
SERVICE DELIVERY									
PCC Improvement Plans	All	Risk Based	n/a						Complete CIA selected as part of a senior manager working group to work through the various external governance reviews undertaken and establish a coherent Improvement Plan to move the Council to future sustainability and better governance. Approved by Council and submitted to DHLUC.
Business Continuity	All	Follow Up	Not Assessed	0	0	4	3	7	Follow Up The initial strategic review was started before the first lockdown and an interim memo gave initial findings to assist in emergency preparations. Limited progress was found to have been undertaken and a further review is due in July 22
		Risk Based							In progress A review of Departmental Business Continuity processes and plans.
IT Asset Management Follow Up	Customer and Digital	Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A follow up of the implementation of actions following the review of the management of portable IT equipment. Of the 11 recommendations 5 have been implemented, 5 were in progress and 1 low recommendation had not been actioned. Considerable progress has been made regarding the development of a live asset register. Action implementation will be further

									monitored where there are outstanding issues.
Risk Management	All	Risk Based	Reasonable	0	1	9	2	12	Complete A review of risk management processes to include the function of the Risk Management Board, strategy and risk register information.
Risk Management – Shared Service Process Development	Resources / CCC Internal Audit	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of the feasibility and governance regarding a joint approach to risk management across both authorities. Decision taken not to amalgamate - work concluded as a result of business restructures.
Programme and Project Management	Business Improvement and Development	Risk Based	Limited	0	1	4	0	5	Complete A review of programme and project management processes to include project governance, POWA, policy and the approach of the PMO.
Payments in Lieu of Notice	Resources	Consultancy							In draft A review of the process for, and payments made under, PILON arrangements.
HR System – Absence Management	Chief Exec	Risk Based	Reasonable	0	0	5	2	7	Complete A review of the new HR management system which was implemented during 2020 to include the process operation of the system and associated management data.
		Follow Up							In progress Follow up of recommendations regarding the review above with extended scope to include annual leave.
Cyber Security	Customer and Digital	Risk Based	Limited	0	9	3	0	12	Complete A review of Cyber Security Controls. Executive Summary issued to Audit Committee 29 November 2021.
		Follow Up	Not yet assessed	n/a	n/a	n/a	n/a		In Progress Follow up of recommendations regarding the review

									above with extended scope to include annual leave.
Mobile Phone Contract – EE Tech Fund	Customer and Digital	Risk Based							In Draft A review to establish how PCC's Tech fund arising from the 2019 contract with EE was spent
Teacher's Pensions – Premature Retirement Payments	Resources	Follow Up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A follow up to the previous investigation of possible errors in premature retirement pension payments, and subsequent review of the management of this process where 6 recommendations were made. 3 recommendations have been implemented, 2 are in progress and 1 is yet to be actioned.
Planning Procedures and Governance	Place and Economy	Risk Based	Reasonable	0	0	4	1	5	Complete A review of governance arrangements, compliance and information processes to inform committee decision making.
Energy Management	Place and Economy	Follow Up	Limited	0	0	1	0	1	Complete A review of the implementation of agreed actions following an audit of the processes in place for managing our energy costs, including contractual arrangements, data collection and monitoring and payment of invoices. 1 new medium recommendation has been made. Of the previous recommendations - 21 implemented, 5 partial/in progress, 7 not implemented (inc 6 high)
Middleholme Remedial Project	Place and Economy	Special Investigation	Limited	0	6	0	0	6	Complete A review of project governance controls over plans to remediate Middleholme and prepare it for onward sale and development. Exec Summary to Audit Committee 15 July 2022.
Towns Fund	Place and Economy	Risk Based	Reasonable	0	0	1	1	2	Complete A review of the governance arrangements and audit framework in place for the management of funds.

		Certification	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Assistance with the compilation and certification of the governance statement to DLUP
Milestone Contract Approvals	Place and Economy	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice in relation to contract approval processes to include Financial Regulations and Contract Rules.
Disaster Recovery Project	Customer and Digital	Risk Based	Reasonable	0	1	0	0	1	Complete A review of the Disaster Recovery Project (ITDS77) which was implemented during 2021.
ITSM System Approval Process	Customer and Digital	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice regarding alternative proposals for providing upfront management authorisation of certain types of ICT service requests in the new Hornbill/ITSM system.
Digital Signatures Project	Customer and Digital	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice regarding a new project to implement digital signature software across the authority.
Regional Adoption Agency	People and Communities	Risk Based	Reasonable	0	0	7	0	7	Complete A shared service arrangement which was brought back inhouse in 2021. The review focussed on governance arrangements, contractual management and partnership agreement monitoring, and financial arrangements.
Payment Data Analysis	Resources								On hold Leading on a project to instigate real time analysis of creditor payments with a view to preventing duplicate payments. £8.5k worth of duplicates discovered during research phase. (A business case has been raised for further development)

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
EXTERNAL ASSURANCE									
Healthy Child Contract	People and Communities	Risk Based	Limited	0	5	7	3	15	Complete A review of contract arrangements in place to include specification, monitoring and performance.

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	COMMENTARY
GRANTS AND OTHER CERTIFICATION				
Bus Service Operators	Place and Economy	Grant	Certified	A DfT grant to support bus services, including community transport services.
Integrated Transport and Highways Maintenance Grant	Place and Economy	Grant	Certified	A DfT grant via the CPCA to help local authorities cut carbon emissions and create local growth.
Pothole Action Fund	Place and Economy	Grant	Certified	A capital funded DfT grant via the CPCA to support pothole repairs.
Emergency Active Travel Grant	Place and Economy	Grant	Certified	Additional DfT grant funding via the CPCA to support and assist travel arrangement during the Covid pandemic
Highways Maintenance Fund	Place and Economy	Grant	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.
Home to School Transport – Additional Funding	Place and Economy	Grant	Certified	Additional covid grant funding allocated via the CPCA to assist and support travel arrangements for students.
Disabled Facilities Grant	People and Communities	Grant	Certified	Non ring-fenced capital funding towards grants that the council can award to disabled clients for necessary housing alterations.
Hampton Hargate School	People and Communities	Grant	Certified	Various funding streams received from the DfE to support establishments with teaching school status.
Connecting Families	People and Communities	Compliance	Certified	A payment-by-results scheme from MHCLG in relation to the government's Troubled Families programme. 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 demonstrates how the Council will apply the qualification and success criteria.

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

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
Cyber Security	Limited	November 2021
Programme and Project Management	Limited	July 2022
Energy Management – Follow Up	Limited	July 2022
Middleholme Remedial Project	Limited	July 2022
Procurement Card Assurance	Limited	July 2022
Procurement Card Assurance - Follow up	Limited	July 2022
Healthy Child Contract (CCC)	Limited	July 2022

Executive Summary - Programme and Project Management

Introduction

The Business Improvement & Development (BID) directorate defines projects as “a series of interrelated activities undertaken to achieve a specific result within a set time frame and budget”. BID includes Project Management Office (PMO) services that provide support on business case development, project delivery, change management and benefit realisation across the organisation. This service applies to CCC only. CCC projects follow a standard project management and assurance framework which includes standard processes, manuals and templates which are located on the BID intranet site on Camweb. CCC projects follow a 4-stage project lifecycle; Early Ideas, Business Case, Implementation, Delivery & Benefits Realisation.

Central PMO provision for PCC was disbanded in 2019 and a standard project management and assurance process does not exist for PCC projects. A limited project support service is provided by the IT & Digital Services team for IT related projects only. IT projects follow a 6-stage project lifecycle; Decide, Define, Design, Develop, Deploy, Discharge. IT project progress is recorded on the POWA web-based project management system, and are subject to IT specific project governance arrangements. POWA is not used by the Business Improvement & Development PMO team, although it is used by the CCC Major Infrastructure Delivery team for managing CCC construction projects. CCC Construction projects follow their own 7-stage project lifecycle process and are supported by a dedicated CCC Place & Economy PMO team.

In April 2021, the Director of Business Improvement and Development presented a project governance proposal paper to JMT with recommendations to introduce a standard and unified approach for project governance, standard corporate PMO support, and the use of POWA for managing all projects. The recommendations were approved and are to be implemented.

In September 2021 an external assurance report on PCC governance was issued on behalf of the Department for Levelling Up, Housing & Communities (DLUHC), stating that Council support “in the form of business case development and project management to support implementation is insufficient and, therefore, should be reviewed and strengthened”.

Objectives and Scope

The purpose of the audit is to assess the adequacy and effectiveness of programme and project management controls and processes. The review will assess:

- Adequacy and effectiveness of existing programme and project management, governance and assurance process;
- Adequacy of documented programme and project management policy and procedures;
- Adequacy of plans to introduce a standard and unified approach for project governance;
- Adequacy of plans to provide a standard approach for PMO support;
- Adequacy of plans to introduce mandatory use of the project management system;
- Adequacy and effectiveness of Council Member oversight and governance processes over key projects and programmes; and

- Adequacy and effectiveness of oversight and management of projects delivered on behalf of the Council by external contractors, e.g. Se rco, Aragon Direct Services, Milestone Infrastructure.

The scope of this audit includes assessment of project management processes applied to all types of PCC projects, including IT and non-IT projects.

Main Findings

- PCC Financial Regulations refer to the use of Programme and Project Management procedures, although these do not exist in a standard and consistent form.
- Although the PCC Constitution requires mandatory use of the Council's project management system for high value projects, the project system is only used for managing and recording IT and CCC major infrastructure projects. Use of the Council's project management system is not enforced, thereby missing an opportunity to standardise the project management and reporting framework.
- In the absence of a standardised project management process, several project initiation and approval processes have been adopted using different project initiation and business case proformas, e.g. capital programme projects, Rapid Improvement Team projects, IT projects.
- There is an opportunity to enhance Council or oversight of programmes and projects by providing Scrutiny Committees and other relevant Committees with project progress reporting. This would improve Council or visibility of project performance and allow opportunity to scrutinise project implementation.

Conclusion and Opinion

The Business Improvement & Development directorate have already identified key deficiencies of the Council's current project management process which is disjointed and does not follow a consistent prescribed project management methodology. The Council has a dedicated online project management system (POWA) which is not widely used, although the PCC Constitution does direct mandatory use of a project management system. The findings and observations raised by this audit fully support project management issues identified by the BID team.

Project management weaknesses were also identified by a recent external governance assurance review commissioned by DLUCH. Consequently, the Council is creating an Improvement Plan to address issues raised, so we support the use of the Improvement Plan to address project management limitations and ensure action is taken to introduce a unified approach across the Council.

Executive Summary – Energy Management – Follow Up

Introduction

The 2020/21 audit plan included time allocated to follow up recommendations and agreed actions from recent audit reports. A review of the way the Council deals with its gas and electricity bills was carried out in 2019, leading to the issue of the draft audit report in early November 2019. The final version of the audit report, featuring management's response to recommendations was issued in January 2020. The audit resulted in a Limited Assurance rating, and 23 recommendations, of which 12 were rated high priority. In response, management identified 33 actions to address the issues detailed in the audit report. The main issues identified during the audit had been:

- No one officer with day-to-day responsibility for managing energy supply contracts and billing, with several teams involved working for partner / joint venture organisations, reporting to different Council-side managers
- No single maintained list of all Council gas and electricity supplies. There was a significant backlog of bills, paid via the corporate process, to be entered to the Technology Forge (TF) system, while separate spreadsheets maintained by Street Lighting team and NPSP were very different in format and the information recorded. NPSP's Utility Batch Header Spreadsheet (UBHS) was not being fully completed in a consistent and accurate way (e.g. dates of payments made were not being recorded).
- The main corporate process for paying utility bills remained virtually the same interim process introduced in 2010 while payment automation was investigated. The corporate process was inefficient and resource intensive, unreliable, and prone to errors (Council- and supplier-side), with a lack of corporate view of the balances of individual accounts. Evidence was found of significant overpayments, duplicate payments, unredemmed credit notes, unexplained gaps in billing, and incorrect treatment of rolled forward balances (though not all suppliers quoted these on their bills).
- Detailed examination of one British Gas Business (BGB) electricity account, which stated a balance of nearly £1700 owed to them, found the account littered with BGB errors including uncredited payments, a credit note amount treated as a debit value, and an over-credited payment. This prompted a recommendation that all accounts be fully reviewed and resolved.
- Lack of clear responsibility for taking of meter readings to ensure bills were as accurate as possible.

In September 2019, notice had been given to Crown Commercial Services (CCS) that the Council wished to leave CCS' gas and electricity supply frameworks. The Council intended to move to ESPO's own gas and electricity supply frameworks from 1st April 2020, leading to supplies transferring on that date from CCS' contracted suppliers, mainly BGB, EDF, and Corona, to ESPO's contracted supplier, Total Gas & Power (TGP). In light of the findings of the last audit, it was imperative that all gas and electricity accounts be checked, and where necessary resolved, to allow the transfer to the ESPO frameworks to take place.

Objectives and Scope

Internal Audit were made aware that many supplies had failed to transfer to ESPO and TGP on 1st April 2020, following objections from incumbent suppliers due to outstanding debt on individual supply accounts. As a result, the supplies that failed to transfer were then on higher off-contract rates. Internal Audit delayed following up recommendations and agreed actions to enable NPSP to concentrate on resolving the outstanding accounts and getting them added to the ESPO framework. A follow up was conducted in 2021. This covered:

- Progress made against the recommendations made and actions agreed during the previous audit, and
- Identification of the reasons supplies failed to transfer to the ESPO framework on 1st April 2020

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

Areas of Significant Progress

Significant progress has been made against a number of issues, including: appointment of the then interim Head of Property as lead officer with responsibility for energy billing and contracts at the end of 2019; clearance of the backlog of bills to be entered to TF and maintenance of TF as an up-to-date record of bills processed by NPSP; all staff in NPSP and the Street Lighting team involved in processing utility bills having access granted to the appropriate billing portals and thus can confirm account position and obtain missing bills; reported good engagement from officers providing meter readings from outlying Council-occupied properties (although little progress had been made against obtaining smart meters); dates of batch payments per Agresso now being recorded to the Utility Batch Header Spreadsheet; and the identified bill batches that had failed to reach Agresso had been resolved.

Processes & Payment Automation

The overarching review and agreement of the corporate utility bill payment processes, involving key stakeholders, agreed by management in response to the audit report had not taken place. Internal Audit recommended investigating the feasibility of re-introducing payment automation. Shortly after the report was finalised, it was suggested that this might be too costly. It was agreed to investigate the reasons why the SystemsLink system that had been procured several years ago was abandoned without ever having operated, but this investigation does not seem to have taken place, and the then interim Head of Property left the Council in May 2021. Only minor changes to corporate processes have taken place.

Treatment of Rolled-Forward Balances

The treatment of stated rolled-forward balances on bills continues to be a problem. Several examples were noted where payments to be made included rolled-forward balances, but the earlier bills had been paid but the amounts not yet credited. Inclusion of rolled-forward balances can lead to overpayments to, and credit balances on, the utility accounts. Equally, rolled-forward balance errors with credit notes can lead to unexpected debt balances.

E.on Street Lighting Contract

Informal agreement to award a single contract to E.on in respect of electricity supply for rural / parish street lighting for 2019-20 had been provided, due to a financially advantageous time-bound offer from E.on. No formal contract exemption had been completed. It is understood that this was not rectified, and the issue appears to have recurred for the 2020-21 contract award.

Transfer from CCS to ESPO

It is understood that the decision to move frameworks had been driven by the desire for better management information, and was not based on cost. A formal procurement exercise was conducted during 2019-20, leading to a decision to award contracts from the ESPO framework. Many supplies failed to transfer to the ESPO framework on 1.4.20, due to objections from incumbent suppliers in relation to unresolved debt balances. There are a number of factors that appear to lie behind this.

- As highlighted above, the Council had a poor starting position in 2019 at the point that notice to leave CCS was given, with no lead officer responsible for energy billing or supply contracts; no single up to date list of all supplies; and various Council and partner teams involved with differing types of information available.
- Debt balances were not always obvious. There was no corporate view of the account position of all supplies. BGB and Corona rarely quoted account balances on their bills, and debts on their accounts were not really known about. Internal Audit had recommended that processing officers be given access to all necessary billing portals to allow a full review of each account to identify those with hidden debt. While portal accesses were arranged, accounts only started to be reviewed once they appeared on the ESPO 'objections lists'.
- Some supplies were not on the CCS framework, and therefore did not appear in information provided by CCS. Such supplies have emerged at various times, including after 1.4.20. There was no clear process around how supplies should be added to a framework, and a lack of understanding within NPSP around how the frameworks operate and which suppliers could / should be used and in what circumstances. This was exacerbated by suppliers' bills not always making clear whether supplies were on framework or not (a particular issue with the Council's two main suppliers, BGB and Corona).
- Delays in receiving requested information from suppliers during the procurement exercise

- Annual fixed date by which notice to quit the CCS framework must be given to prevent lock-in for a further year. It is understood that concerns were raised that Council were not ready to give notice, but chose to go ahead, without knowledge of whether the Council's supplies were in fit state to allow a transfer.

Internal Audit examined Agresso billing records for the Council's utility suppliers, and identified approximately 140 gas and electricity supplies that were not with TGP after 1.4.20, and therefore had not been on the ESPO framework, and were subject to off-contract rates likely to be substantially higher than chargeable under the ESPO framework. It is not known what tariffs would have applied from 1.4.20 had supplies transferred to ESPO/TGP on time, but comparison of the BGB off-contract tariffs, and the ones applied by TGP following transfer, for two electricity supplies in 2020-21, illustrate the financial difference between the two arrangements:

Site & Supply	1.4.20-3.9.20			
	Consumption (kWh)	BGB actual net cost (off-contract)	Notional cost using TGP's tariff at 3.9.20	Difference
Westcombe Engineering Units 6-10 (MPAN *964)	56,046	£12,740.50	£7,536.82	£5,203.68
Cherry Lodge (MPAN *060)	17,792	£5,222.96	£2,624.27	£2,598.69

The gas supplies that had remained with Corona on 1.4.20 were resolved by early July 2020, thanks in part to significant co-operation from that supplier. Supplies with BGB are taking far longer to resolve, particularly since they are not responding to queries in a timely manner, and the Council's client manager at BGB has left and not been replaced. Examination of recent bills in Agresso suggest that fifteen months on there are still at least 27 ongoing supplies with non-ESPO framework suppliers (mostly BGB), which won't be on a proper contract.

Conclusion and Opinion

Corporate billing processes are substantially unchanged, and therefore are likely to remain significant factors in delays and errors in payment by the Council, and errors in crediting accounts by utility suppliers. Payment automation might require invest-to-save funding, but this should be weighed carefully against the resources required to manually process invoices, to investigate and resolve missing bills or resolve the non-crediting of accounts by suppliers, rectify rolled forward balance errors, and the cost of late payment charges, if manual processes were to be retained. Payment automation might also realise potential rebates against bills for prompt payment.

The key priority is the review and resolution of all gas and electricity accounts, and transferring any non-ESPO supplies to the ESPO framework as quickly as possible in order to benefit from lower contract prices. It is understood that NPSP are concentrating on resolving the supplies that remain on BGB objections lists, with non-ESPO framework supplies at domestic and commercial rental properties being left for the time being. It is our advice that all of the Council's supplies should be moved onto the framework where practicable.

Executive Summary – Middleholme Remedial Project

Introduction

Middleholme is a 40-acre site to the east of the Peterborough Embankment which is jointly owned between PCC (17%) and Milton Estates (83%), with PCC leasing the proportion owned by Milton. Middleholme has been identified as having scope for residential development, sports and leisure uses, and forms part of the Place & Economy regeneration strategy as an element of the city centre regeneration framework supported by the Towns Fund.

A grant of £550k of Brownfield Land Release Funding (BLRF) from DLUHC was applied for in June 2021, and formally accepted by PCC in November 2021. Due to time criticality, audit findings related to the BLRF grant application and the Middleholme project were originally raised with Place & Economy and Resources management immediately before the grant acceptance deadline. There has since been personnel changes at Director level with no formal response to audit findings previously raised. The grant was formally accepted by PCC in November 2021 on the understanding that grant monies can be returned to DLUHC without penalty if PCC management decide that Middleholme remediation is not viable.

Heads of terms with Milton Estates, signed by PCC in February 2021, confirm that both parties are equally responsible for costs of professional advice and services required for promoting and selling the land. Net proceeds from the sale are to be apportioned as 38.9% for PCC, and 61.1% for Milton Estates. PCC will also be reimbursed for the acquisition of land in April 2019 relating to Medesham Homes (Title CB43722) at a purchase cost of £235,000 plus VAT, land tax and professional fees.

We acknowledge that the new Resources and Place & Economy Directors have plans to improve capital project governance to help avoid deficiencies identified with the Middleholme capital initiative. Solutions include new a capital governance structure which is currently being implemented and the potential for a dedicated grant bid team and corporate property function.

Objectives and Scope

The purpose of the audit was to assess the adequacy and effectiveness of project governance controls over plans to remediate Middleholme and prepare it for onward sale and development.

Main Findings

- The remediation and proposed onward sale of Middleholme has not received appropriate Capital Programme approval.
- The Middleholme remediation project will expose PCC to an uncertain level of cost liability due to the fixed value of external BLRF funding available and the undetermined level of remediation costs which have only been estimated at this stage. Formal agreement is required from Milton Estates to limit the cost exposure to PCC if the remediation project proceeds.

- There is a lack of clarity regarding responsibility and ownership of the Middleholme remediation project.
- Management need to ensure that a dedicated project budget code is created as required.

Conclusion and Opinion

Urgent management attention is required to clarify ownership of the Middleholme project, and ensure that appropriate Capital Programme approval is obtained before the Council is exposed to cost liabilities associated with remediating the land at Middleholme. The Brownfield Land Release Funding has already been formally accepted by PCC.

Executive Summary – Procurement Card Assurance

Introduction

Government Procurement Cards, also known as PCards, were rolled out across the Council many years ago as an efficient means of making low value purchases without the need to go through a traditional purchase order and invoice arrangement, and thus saving time and money in administration. PCards operate like credit cards, with Barclaycard paying the supplier, then recharging the Council. The Council pays off the amount spent each month in full via a variable direct debit.

In the final three full months before the first Covid lockdown took place (Dec 19-Feb 20), 38 cardholders made 542 transactions, costing a total of just under £77k. Pro rata, this equates to an expected annual spend of approximately £310k.

This audit was not part of the original 2020-21 audit plan, but was initiated due to increased risks around PCard transactions following lockdown, stemming from most employees working from home, the possible need for normal expected controls to be relaxed, and potential changes to the types of things needing to be bought (e.g. Covid-related items).

Objectives and Scope

The purpose of the audit was to obtain:

- Assurance over PCard expenditure during the initial phase of the Covid-19 crisis, using data analysis techniques to identify possible issues for further investigation/query.
- Advice on improvements to controls where appropriate, bearing in mind the need to respond to the emergency.

The scope covered potential changes to PCard controls as a result of the Covid-19 pandemic (such as increased card limits), and PCard transactions from mid-March 2020 onwards. 31 cardholders who had used their PCards since 23.3.20 were invited to complete a survey to ascertain the controls operating locally before, and changes that had taken place as a result of, the first lockdown. 18 cardholders responded, allowing a better picture to be obtained that might have been the case from limited sample testing.

Transactions for the period March to August 2020 were obtained and analysed.

One PCard was lent to the County Covid Hub in April 2020 to facilitate the purchasing of emergency food for vulnerable residents who were shielding. The use of that PCard, and the control arrangements surrounding it, are being covered in a separate audit review, and so are not specifically commented on within this report. A recommendation has already been made to retrospectively review all transactions since the PCard was borrowed.

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

Covid Related

- There have been no significant changes to expected PCard controls imposed or offered by the Procurement team as a result of lockdown. Additionally, cardholders' survey responses did not really indicate changes to controls stemming from the Covid lockdown introduced within discrete teams or service areas, and none of the respondents indicated a particular change in how their cards are used, although some identified changes in relation to the type of things being bought, including Covid-related items.
- Five PCards' limits were temporarily increased for specific Covid-related purposes. All five increases were eventually ended. Two of these increases were ultimately not needed, but the justifications behind all of the requested increases seemed reasonable.
- Overall there was a reduction in expenditure in the period reviewed. Comparison of PCard transactions for the three months immediately before (Dec 19-Feb 20) and after (Apr 20-Jun 20) the first lockdown month showed reductions in overall expenditure (19.6%) and total number of transactions (17%). The reduction would have been more pronounced had an existing PCard not been set aside to buy emergency food on behalf of the County Covid Hub for distribution to vulnerable residents. Total expenditure via PCard Apr-Aug 20 was approx. £107k, and if Hub purchases are excluded, it is noticeable that number and overall value of transactions had started to increase from July.
- Transactions generally seemed in keeping with the suppliers one would expect in the context of cardholders' roles, and with new Covid-related roles.

Other

- Two factor authentication has recently been introduced to BSM by Barclaycard, although this is not Covid-related. All cardholders and their managers require a card reader, and some managers to have a dummy card, in order to access BSM. It is understood that not all cardholders and relevant managers have yet received card readers, and therefore are unable to log into BSM.
- PCard guidance for cardholders and managers is out of date and in need of review, and the BSM training slides have not been made available to all cardholders.
- Cardholder survey responses revealed that even before lockdown commenced, 16 out of 18 of respondents did not pass their transaction information and evidence to an appropriate manager for checking every month, breaching the Council's PCard instructions.
- A third of cardholders who responded to the survey permit their card, or card number, to be used by other officers, also breaching PCard instructions.
- It was noted that a PCard assigned to an officer who left the Council on 29.2.20, had been used twice on-line following their departure. It is unclear at this time who performed these transactions, and whether it was legitimate business expenditure. This issue is under review.

Conclusion and Opinion

There has been limited change in the PCard control environment and a general reduction in spend, with some exceptions where specific staff have been required to incur Covid-related expenditure. This gives some assurance over PCard expenditure, but must be viewed in the context of a control environment that is already limited. The last full audit of PCard administration and usage took place in 2010. The final report issued in Mar 11 gave an assurance rating of Limited Assurance, and identified issues that still remain today, including card sharing, lack of management review of transactions, and failure to assign VAT in the online PCard transaction system.

PCards differ from most other methods of expenditure used by the Council, because they allow a purchase to be made without a formal advance approval from an appropriate manager with budget responsibility. This places PCards at a higher risk of inappropriate purchasing than other methods. A key control of management review after purchase does not operate fully, and therefore expenditure is routinely incurred without the involvement of a second person. The extent of any potentially inappropriate expenditure is limited by a range of direct and indirect controls, including:

- The need for senior management to approve who can be a cardholder, a limited number of cardholders, the single and monthly transaction limits restricting how much can be spent, and permitted merchant categories controlling which types of suppliers can be used, applied to each card
- Normal expected budget monitoring arrangements may, in cases where the cardholder is not the budget manager, provide a backstop. However, this may be affected by the number of budgets a budget manager is looking after, and the volume of transactions within those budgets.

The audit opinion in relation to Covid-related changes is Reasonable Assurance. The audit opinion in relation to the general PCard control environment remains Limited Assurance. For guidance on internal audit opinions and audit recommendation priorities, please refer to Appendix 1.

During the review, Internal Audit have provided advice to:

- The Procurement team around the appropriateness of new PCards being sent direct by Barclaycard to cardholders' private addresses, and the necessity of cancelling PCards for cardholders who leave at the earliest possible opportunity
- Cardholder survey respondents regarding issues highlighted around merchant categories; recharges that have not been performed, and a PCard that is no longer required.

The issues identified during the review, including those items highlighted in the cardholder survey, are explained in more detail in the main body of the report, along with recommendations about how they might be addressed

Executive Summary – Procurement Card Assurance – Follow Up

Background

Internal Audit undertook a review of PCard transactions in 2020 to provide assurance over PCard expenditure during the initial phase of the Covid-19 crisis. This covered changes to PCard controls, how cardholders were using PCards, and changes to what they were buying. 31 cardholders who had used their PCards since the start of the first lockdown were sent a survey, and 18 responded. The main findings of the review were:

- There had been no significant changes to expected PCard controls, nor any real change to how cards were being used.
- Overall PCard spending and number of transactions had declined significantly, and the difference would have been more marked if one PCard hadn't been lent to the Covid Hub to facilitate emergency food packages for vulnerable residents.
- Historic and previously reported on control weaknesses remained evident. These included sharing of PCards and card numbers, and lack of review of transactions by cardholders' managers.

The audit opinion provided the following ratings:

- Covid PCard changes - Reasonable Assurance
- General control environment – Limited Assurance

Management responses to recommendations were provided on 4.6.21. Internal Audit followed up the agreed actions in November to ascertain progress.

Current Position & Conclusion

The current position against each recommendation is summarised in the table below.

Recommendation Status	High Priority	Medium Priority	Low Priority
Action(s) / Alternative(s) Fully Implemented			
Partially implemented	1		1
In progress		2	
Not actioned	2	1	1
Total	3	3	2

We note the comments in the recommendation responses about where responsibility for certain PCard actions are considered to lie. There is a lack of clarity around ownership of PCard processes (e.g. compliance monitoring, guidance and reminders etc) and this needs to be resolved. It is understood that initial discussions were held between Procurement and Finance over card sharing, transaction-checking, recharges and VAT compliance, but progress stalled and these issues are only just being picked up again.

As refreshed guidance / instruction and reminders around key controls have not yet been circulated, it seems likely that PCard / card number sharing and lack of transaction review by management is continuing, and two of the most fundamental controls are not being complied with. The failure of cardholders' managers to check transactions essentially leaves cardholders as the sole individual in the process, which would be considered unacceptable with other purchasing methods. This is only partially mitigated by other controls (e.g. spend limits, merchant category blocking where applied).

Executive Summary Extract – Healthy Child Contract

1. Audit Scope

1.1. The objective of this review was to provide assurance that:

A) Contract documents include appropriate clauses to ensure that the objectives of the contract can be achieved. These would normally include the following:

- A clear payment mechanism;
- Performance indicators (PIs) which are clearly defined and agreed and are used to measure/monitor the delivery of the contract;
- Compliance with national legislation and guidance;
- How performance can affect payment;
- How performance can influence an extension of the contract;

B) The underpinning policies and procedures in place are proportionate and effective in establishing a robust internal control environment for contract management and focus on the key areas above.

Monitoring arrangements in place are sufficient and give oversight of payment and performance and ensure compliance with the key controls set out in the contract documents.

Outputs are scrutinised effectively for both finance and performance to assess the accuracy of information given by providers on the overall delivery of the service contracted.

2. Internal Audit Opinion

2.1 The Internal Audit opinion on the control environment reflects the terms of the Section 75 Agreement in place. The opinion for this is *Limited*, reflecting the fact that the current terms of the Agreement are not sufficient to drive provider performance, quality and effectiveness. In particular, there is a lack of financial transparency which impedes the Authority's ability to demonstrate that the contract represents value for money. Key issues with the Section 75 Agreement are highlighted below, with additional detail provided at Section 7, below:

- The S75 Agreement lacks a pricing schedule to explain how the five pricing elements in the contract are broken down; how each element relates to the service specification; or what constitutes allowable (or disallowable) expenses against each pricing element. Introducing a detailed breakdown of

expected spend against the service specification was an accepted recommendation from the previous Internal Audit review in 2018, but although the service report that significant work was completed during the last recommissioning against this recommendation, it has not been sufficiently reflected in the contractual documentation and associated schedules within the section 75 agreement.

- The S75 Agreement provides for open-book reporting and an annual reconciliation, but the agreement does not define open-book reporting nor clarify what information should be included in this. The absence of a detailed pricing schedule means that these provisions would not necessarily enable the service to drive greater value for money from the contract even if they were implemented.
- There is a significant disparity in non-staff costs between the two NHS providers, which implies that the Agreement is not achieving the same value for money for Cambridgeshire as it is for Peterborough. For CPFT, delivering for Peterborough, the non-staff budget is 20.6% of the total cost of the contract, while for CCS, delivering for Cambridgeshire, it is 29.5%, with a majority of this difference (5.7% of the total 8.9% i.e. 64%) of this being a result of higher estate costs in Cambridgeshire. The previous Internal Audit review of Cambridgeshire's HCP in 2018 included an agreed recommendation to develop an agreed overhead rate for the CCS contract, supported by a detailed breakdown of how this was calculated. This has not been reflected in the new contract and the current audit did not identify any evidence to support the different rates of overheads and non-staff costs across the two locations.
- Although the contract includes an incentive scheme linking contract payments to performance measures, to date the incentive scheme has been on hold due to the Covid pandemic (see below). The incentive scheme only covers 3% of the annual contract value (£389,798); the low value of these incentive payments means that it is questionable whether the scheme would have a significant impact in driving performance even when it is implemented.
- Underspend against the contract in 2021/22 was 5.25%. Currently, the terms of the Section 75 Agreement require underspends to be ringfenced to the Healthy Child Programme. This provision is restrictive; at odds with the terms of the Delegation & Partnering Agreement with PCC; and does not incentivise the providers to plan ahead to avoid underspending. It also reduces the flexibility of the Public Health Directorate who may wish to use underspends on the HCP contract to offset overspends elsewhere in the directorate.

2.2 The opinion given for compliance is *Moderate*. This reflects the management of the Section 75 Agreement in practice and the implementation of key controls outlined in the agreement. It is recognised that contract management and the normal operation of the HCP contract has been significantly disrupted by the Covid-19 pandemic, and the service is now in the process of re-implementing some major controls which were paused during the pandemic, such as the incentive scheme and Annual Development Plan. Regular reporting and meetings with providers have taken place throughout the acute phase of the pandemic, and business continuity arrangements were agreed to refocus provider resource onto the most high-priority areas for delivery.

2.3 The Public Health service has not implemented some key elements of the Section 75 Agreement which should drive value for money, such as its provisions around open-book reporting and an annual reconciliation. Equally, the lack of a clear agreed pricing structure and detail on allowable costs mean that even if

these controls were implemented, there is only limited potential for them to enhance the service's value for money and ensure that payments made under the contract are not cross-subsidising other elements of provider organisations.

2.4 The review identified some areas where the Council does not currently receive a routine annual or other regular assurance over key risk areas, such as provider compliance with the NHS Data Security Toolkit. The service would also benefit from more developed risk management processes which should cascade between the service and providers.

Adequacy of System	Limited
Compliance	Moderate
Organisational Impact of findings	Minor