

AUDIT REPORTS ISSUED 2008 / 2009 WITH LIMITED OR NO ASSURANCE**Reports issued during Quarter 3 (October - December 2008)**

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| 1 | S.I. Children's Services no.2 (Chi2340-02) |
| 2 | Teachers Pensions Returns (Chi5470-11) |
| 3 | Teachers Pensions Annual Report |
| 4 | Investors In Communities |

REPORT 1: S.I. Children's Services no.2 (Chi2340-02)

Executive Summary

Prior to recent events no asset register had been maintained at the Centre. At that time this was in breach of the requirements of Financial Regulations. Having been made aware of the specific allegations made, the Service Manager took immediate action to set-up a register and associated guidelines which addressed the above shortcomings. The importance of asset management is essential, not only as a fundamental internal control process, but also as a safeguard for both the Council and officers to counter against any allegations of malpractice as has been the case in this instance.

During a check of the adequacy of the number of careworkers on duty during AM and PM shifts, it was confirmed that sometimes staff on sick leave are included in the definitive list of those working. This means that it is not possible to rely on management information produced from this data, as the data itself might be inaccurate and in some cases, incomplete.

There are no daily shift sheets for waking night shift staff. The record supplied was a summary of the staff that were on duty each night and this provided insufficient detail for an analysis to be made.

A sample check carried out on the calendar month of May 2008 revealed that on 8 occasions, the number of careworking staff on duty during AM shifts was less than the minimum level agreed locally with OFSTED, with 5 of these occurring during the half term week when the education staff would not have been on the premises. On 5 occasions the PM shifts were also understaffed (although 3 of these were only deficient by one hour). However, the ratio of permanent to agency staff was not breached during this period.

No evidence was found of inappropriate staff (e.g. administration staff) being used to remedy a shortage of careworking staff.

A small minority of staff worked excessive hours during the sample period and as timekeeping records are not maintained by residential workers, it is not readily clear when they are working overtime. Due to this lack of adequate record keeping, it is also difficult to monitor if working time regulations are being breached.

According to the records provided, the vast majority of careworkers have received CALM physical restraint training, including all the waking night staff, but further work will be needed to gain assurance that these records are accurate and complete.

Scope & Objectives

Internal Audit was requested by the Assistant Director, Families and Communities, to undertake a review of specific management and procedural issues at the centre following a series of whistle blowing allegations that had been made by a number of staff. Subsequently, to report to management any concerns with regard to control shortcomings or non-compliance with Peterborough City Council policies that are identified during the course of the review.

The objectives were to determine the procedures and controls in place with regard to asset security, procurement, asset disposal, duty rotas / timesheets, staff restraint training.

Methodology

Initial discussions were held with the Service Manager in order to obtain background information in relation to the areas that were to be reviewed. Computer and manual records were examined relating to the scope detailed above. Where appropriate, IDEA was used for the interrogation of data.

Conclusion

This review has highlighted a number of major weaknesses that must be urgently addressed, in both the financial and staffing areas of this investigation.

The previous lack of an asset register and the practices adopted by the Service Manager with regard to asset disposals make it difficult to substantiate the allegations that have been made. The need for management to maintain appropriate records and implement transparent procedures that do not leave themselves, or their staff, open to allegations of malpractice is of paramount importance.

Evidence has been found that substantiates the allegation that staffing level figures have sometimes been inaccurate by including staff on sick leave, although this only led to understaffing on a few occasions. Time constraints precluded interviewing members of staff and checking agency invoices to discover if all the shifts credited to individuals are correct. However, any breaches in agreed staffing levels could have serious repercussions, bearing in mind the vulnerability of the residents.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **No Assurance** in the specific areas reviewed.

Report 2: Teachers Pensions Returns (Chi5470-11)

Executive Summary

The school's external payroll provider, Capita, administer teachers' pensions on behalf of the school. Agreed actions from the Internal Audit Teachers' Pensions Report 2007 have not been implemented and are detailed within this report. There are checking processes within the school to ensure the payroll service is satisfactory. However, these are not evidenced appropriately.

Scope & Objectives

The purpose of the audit was to provide assurance to PriceWaterhouseCoopers that there are appropriate controls in place for the administration of Teachers' Pensions returns to support the review of the grant claim.

The areas covered were compilation of the payroll, payroll control environment and degree of risk attached to the data provided for the return.

Methodology

Payroll and pensions records were reviewed for 2007/08 to ensure compliance with Teachers' Pensions regulations. In addition, the previous Teachers Pensions internal audit report, issued in October 2007, was followed up.

Conclusion

There are satisfactory controls in place at the school for the administration of teachers' pensions. However, improvements to the payroll processes can be made as detailed.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance** because recommendations remain outstanding from the 2007 Internal Audit review.

Report 3: Teachers Pensions Returns – Annual Report

Executive Summary

An annual Teachers' Pension review has been undertaken on behalf of PricewaterhouseCoopers (PwC) in accordance with the Audit Commission's Certification Instruction. Peterborough City Council's (PCC) role in this is to administer the scheme in relation to those schools it provides payroll services, collate external providers' data, and complete then submit form TR17.

Examination of the TR17 and related payroll records has highlighted inaccurate deductions in relation to two supply teachers where PCC provides payroll services. Therefore the TR17 return total pensionable pay is understated and there is a shortfall in contributions made totalling £244.11.

Scope & Objectives

The purpose of the audit was to provide assurance to PricewaterhouseCoopers that

- There are appropriate controls in place for the administration of Teachers' Pensions returns to support the review of the grant claim.
- Confirm the figures contained within the TR17 are accurate, and are ready for submission to the external auditor
- Confirm that appropriate paperwork is maintained to support teachers' pension arrangements..

Methodology

Discussions were held with appropriate PCC HR staff along with the review of manual and computerised documentation.

Conclusion

There are no problems with the compilation of the TR17. Figures are obtained, collated and entered accurately. However data provided to Teachers Pensions on the TR17 return is inaccurate. Errors found in relation to the exclusion of two supply teachers from the Teachers' Pensions Scheme (TPS), who should have been included in the scheme, have resulted in a shortfall in contributions. This may lead to the external auditor issuing a qualification letter when certifying the TR17.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance**.

Report 4: Investors In Communities

Executive Summary

Investing in Communities (liC) is an East of England Development Agency (EEDA) programme aiming to work with public, private and voluntary and community sector partners to drive sustainable economic development and reduce disadvantage and deprivation in the East of England. liC is based on the principle that partners develop a shared understanding of the issues facing the most deprived communities and the priorities for action. Based on this understanding EEDA will contribute to a limited number of major interventions alongside partners. As an economic development agency liC's key priorities are employment, skills and enterprise.

Peterborough City Council (PCC) acts as the accountable body for the liC programme and through its management of the programme have established an liC Board, with governance arrangements delivered via the Peterborough Regional Economic Partnership (PREP), to lead the development and delivery of the programme.

The Board has, in turn, secured wider partnership engagement through the establishment of three thematic advisory groups to lead developments under the key priority areas of employment, enterprise and skills. In addition, the programme has established strong relationships with the Greater Peterborough Partnership (GPP), and the Local Area Agreement (LAA) management group.

In February 2007 the EEDA Board approved, subject to conditions, the PREP liC Business Plan for 2007-11 including investment of £11.5 million.

In response to conditions applied by EEDA in approving the 2007-11 Business Plan, PCC Strategic Growth & Development recognised that the governance arrangements in place to monitor the four projects operating during 2006-07 would be insufficient when managing a larger programme. A paper was taken to the liC Board on 3 April 2007 to approve the new reporting structure for liC. This has clarified the link between the liC Board, the PREP Board and PCC. However, because of the liC section was not fully staffed and experienced staff turnover during 2007, this process is only now becoming bedded-in.

Scope & Objectives

The objectives of the audit were to ensure that appropriate governance arrangements have been established for the liC program, that funds are appropriately accounted for, that performance standards are met and that PCC fulfils its' role as the accountable body.

External auditors have historically considered the governance arrangements of the partnership as weak, with reliance being placed on the controls within the accountable body – PCC.

Methodology

Our approach was to examine the adoption of policies and procedures; standards for business conduct; register of interests; accountability, operation of the board and reporting through review of relevant documentation and discussion with PCC-liC staff.

Conclusion

The liC Board should independently assess the current governance arrangements in place, and where existing PCC policies and procedures are considered relevant these should be formally adopted by the Board. Where additional policies and procedures are considered necessary these should be developed and approved by the Board at the earliest opportunity.

A risk register should be developed and approved by the liC Board and should be subject to periodic review by the Board.

An Operations Manual for liC Board members and staff outlining protocol and procedures for all aspects of liC operation, including the ongoing review of its policies and procedures, should be developed.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is **Limited Assurance**.

INTERNAL AUDIT RECOMMENDATION GRADES

CRITICAL	Extreme control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY
HIGH	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority
MEDIUM	Significant 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	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical

INTERNAL AUDIT OPINIONS

OPINION	DESCRIPTION	GUIDE FOR AWARDING
FULL assurance	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks.	A limited number of LOW recommendations.
SIGNIFICANT assurance	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.	Predominantly LOW and MEDIUM recommendations or high number of LOW recommendations.
LIMITED assurance	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.	Predominantly MEDIUM and HIGH recommendations or high number of MEDIUM recommendations.
NO assurance	Controls are weak and/or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.	One (or more) CRITICAL or a significant number of HIGH recommendations.