

**CHIEF INTERNAL AUDITOR
ANNUAL REPORT FOR THE YEAR
ENDED 31 MARCH 2009**

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EXECUTIVE SUMMARY

Introduction

The purpose of this report is to meet the Chief Internal Auditor annual reporting requirements set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises at Paragraph 10.4 that the report should:

- a) Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- c) Present a summary of the audit work undertaken to formulate that opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues the Head of Internal Audit (or equivalent) judges particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and
- f) Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

The Code of Practice also states at Paragraph 10.4.1 that:

"The Head of Internal Audit should provide a written report to those charged with governance timed to support the Annual Governance Statement."

Therefore, in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Authority in meeting the requirement of Regulation 4 of the Accounts and Audit Regulations 2006. These state:

"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk."

"The relevant body shall conduct a review at least once a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with proper practices with (a) any statement of accounts it is obliged to publish in accordance with regulation 11, or (b) any income and expenditure account, statement of balances or record of receipts and payments it is obliged to publish in accordance with regulation 12."

Chief Internal Auditor: Opinion on the Effectiveness of Internal Control 2008 / 2009

This opinion statement is provided for the use of Peterborough City Council (the Council) in support of its Annual Governance Statement that is included in the statement of accounts for the year ended 31 March 2009.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Internal Control Environment

The Internal Audit Code of Practice states that the internal control environment comprises three key areas:

- Internal control;
- Governance; and
- Risk management processes.

Our opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

Review of Effectiveness

The Council have a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of internal control is informed by the work of the internal auditors and officers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in the Annual Letter and other reports.

Chief Internal Auditor Annual Opinion

Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2008 / 2009, including our assessment of the Council's corporate governance and risk management processes.

The internal audit plan for 2008 / 2009 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control.

Basis of Assurance

We have conducted our audits both in accordance with the mandatory standards and good practice contained within the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, and additionally from our own internal quality assurance systems. This programme of work is outlined in **Appendix A**.

Our opinion is limited to the work carried out by Internal Audit based upon the strategic internal audit plan. Where possible we have considered the work of other assurance providers, such as external audit.

The audit work that was completed for the year to 31 March 2009 is listed at **Appendix A**, which lists all the audits and their results in terms of the audit assurance levels provided and the number of recommendations made. The level of assurance achieved on the systems audited is detailed below. This shows that 57% of the systems audited achieved an assurance level of significant or higher, compared to 68% last year. Although there appears to be a drop in assurance levels, our prioritisation of special investigations (which usually result in *limited* or *no assurance* gradings) has resulted in this area becoming a higher proportion of our work. This is especially so given the continuing reduction in Internal Audit staff numbers and the concomitant reduction in reports produced.

AUDIT ASSURANCE		
Assurance Levels	Issued	%
Full	5	8
Significant	30	49
Limited	17	27
No	10	16
	62	100

RECOMMENDATIONS MADE	
Numbers	
Critical	8
High	129
Medium	189
Low	116
	442

A complete list of all audits and assurance against them can be found within **Appendix A**. Recommendations to take corrective action were agreed with management and we will continue to undertake follow up work in 2009 / 2010 to confirm that they have been effectively implemented.

2008 / 2009 Year Opinion

From the Internal Audit work undertaken in 2008 / 2009 it is our opinion that we can provide **SIGNIFICANT ASSURANCE** on the systems of internal control. Internal controls are fundamentally sound and accord with proper practice, subject to the implementation of any agreed recommendations.

The Assurance -
Financial Systems



Our overall opinion is that internal controls within financial systems operating throughout the year are fundamentally sound, other than those reviews assigned "Limited Assurance".

The Assurance - Non-
Financial



Our overall opinion is that internal controls within operational systems operating throughout the year are fundamentally sound, other than those reviews assigned "Limited Assurance".

In reaching this opinion, the whole programme of internal audit work undertaken was considered, together with arrangements for corporate governance and risk management. In addition, the year end review of Internal Audit as part of the Annual Governance Statement (AGS) process in April 2009, and the external auditor's review of Internal Audit, has provided a positive result.

As a result an **unqualified opinion** is provided.

The Systems of Internal Financial Control

The systems of internal financial control is based upon a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council, in particular the system includes:

- Codes of practice and financial regulations;
- Standing Orders, financial regulations and schemes of delegation;
- Comprehensive budget systems;
- Regular reviews of periodic and annual financial reports which indicates financial performance against the forecast;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines; and
- Appropriate, formal project management discipline.

Our opinion of the effectiveness of systems of internal financial control is informed by our work documented in **Appendix A**, and the external auditors' management letter and other reports. From the above, I am satisfied that the Council has in place a sound system of internal financial controls, with the exception of those significant weaknesses identified within the detailed report. I am also satisfied that mechanisms are in place which would identify and address any material areas of weakness on a timely basis.

Corporate Governance

In our opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA / SOLACE. The opinion is based upon:

- External audit judgements under the CPA "use of resources" process;
- Internal audit work documented within **Appendix A**; and
- Our analysis provided to Audit Committee with the Annual Governance Statement on 1 June 2009.

Risk Management

Risk management is constantly evolving across the council, particularly in developing the assessment, evaluation and documentation of risks and controls and the focus of strategic risks has continued to improve during the year. In establishing our opinion, we have relied upon:

- The work of Internal Audit as described in **Appendix A**;
- Ongoing discussions held at the Corporate Risk Management Group; and
- Our analysis provided to Audit Committee with the Annual Governance Statement on 1 June 2009.

Chief Internal Auditor
20 May 2009

DETAILED REPORT

Introduction

This section is a report from Internal Audit detailing:

- Any significant control failures or risk issues that have arisen and been addressed through the work of Internal Audit;
- Any qualifications to the Chief Internal Auditor opinion on the authority's systems of internal control, with the reasons for each qualification;
- The identification of work undertaken by other assurance bodies upon which Internal Audit has placed an assurance to help formulate an opinion;
- Comparison of the work undertaken during the 2008 / 2009 year against the original audit plans; and
- A brief summary of the audit service performance against agreed performance measures.

Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. During the financial year 2008 / 2009, whilst no new significant weaknesses were identified for inclusion within the Annual Governance Statement, 8 critical recommendations were made in audit reports (compared to 5 in the previous year) which required immediate attention. These related to the audits of:

- St John Fisher – compliance with Financial Regulations;
- Orton Longueville – Cashless System;
- S.I. Childrens' Services no.1 (Chi2340-02);
- Jack Hunt Pool Refurbishment;
- Planning Obligations; and
- Purchasing Cards

Key Issues

There is a range of key issues that are likely to be of significance for the 2009 / 2010 year and beyond, which Internal Audit need to be aware of. These include:

- The current economic downturn, which adds to the financial pressures already on the council (due to the planned low council tax rates and continuing pressures from Government on the RSG settlement). This is impacting on income and expenditure, as well the public's need for council services;
- The introduction in 2009 of the Comprehensive Area Assessment, replacing the CPA process;
- The planned changes to the delivery of some services to generate financial savings or income; and
- The continuing introduction of FMSiS to Primary and Special Schools and reassessment of secondary schools to ensure FMSiS is embedded.

Qualifications to the Opinion

Internal Audit has had unfettered access to all areas and systems across the authority and has received appropriate cooperation from officers and members.

Other Assurance Bodies

In formulating our overall opinion on internal control, the Chief Internal Auditor has taken into account the work undertaken by the following organisations, and their resulting findings and conclusions:

- The annual letter from the authority's external auditors; and
- The auditors score judgement by the Audit Commission (CPA Use of Resources).

Internal Audit Assurance Levels and Recommendations

Appendix A details the level of assurances achieved on each audit as well as the number and priority of recommendations suggested and agreed. Where recommendations have not been accepted, these are separately reported to Audit Committee within quarterly reports. There is an ongoing programme of follow up work for all reports receiving a "limited" or "no" audit assurance to ensure that accepted recommendations will be implemented.

In order to assist management in using the reports, our opinions are categorised according to our assessment of the controls in place and the level of compliance with these controls. Recommendations are similarly categorised according to their level of priority.

AUDIT ASSURANCE LEVELS	
FULL	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks.
SIGNIFICANT	The system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
LIMITED	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.
NO	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.

RECOMMENDATIONS	
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.

Summary of Audit Work Undertaken To Formulate the Opinion

Audit reports are issued to Managers which include an audit opinion as documented above. **Appendix A** at the end of this report highlights the status of each review undertaken, together with the appropriate opinion. A number of reports have been issued at the year end to departments in "draft" format and we are awaiting responses to the report and recommendations so that they can be finalised. It is very rare for the overall opinion to change so they have been included within appendix A for consistency.

Audit Committee has received quarterly reports throughout the year, and these have provided regular snapshots of the control environment. Where limited or no assurance was awarded on an audit, the Audit Committee have been provided with the Executive Summary of the audit report. **Appendix B** contains the summaries in relation to those audits not previously presented (those audits completed between January and March 2009).

Key points to note include:

- All departments have received audit coverage during the year, so as to establish the control environment across the whole organisation
- A major investment of our time involves undertaking work on behalf of Children's Services to ensure that all schools meet the new Financial Management Standards in Schools. All schools need to comply with these standards and there is a three year rolling programme in place to deliver this. In 2008 /2009 approximately 40% of all primary and special schools were assessed, and with the exception of one school, all have provided appropriate evidence to support the standards which we have verified. These results have been referred to the Department for Children, Schools and Families and the schools will be accredited.
- Liaison between the Corporate Investigations Team and Internal Audit has continued. Where fraud and mis-management has occurred, Internal Audit have reviewed the relevant procedures, highlighted the control weaknesses that have lead to the fraud, and recommended improvements. This area of work is treated as a high priority and, by its nature, can be time-consuming.
- Major financial systems have been reviewed and, in the main, assurance levels have remained at the *significant* level. Accounts Receivable has moved from *significant* to *limited*, but this reflects a change in the focus of our review towards the debt recovery aspect, rather than a deteriorating control environment. We reviewed the new Purchasing Cards system and awarded a *no assurance* grade. The lack of a defined owner has contributed significantly to a poor control environment. However, recommendations have been made and will be followed up in 2009 – 2010.
- Progress has been made in embedding risk management across the council, not just for operational activities, but also for performance management, project management and financial and service planning. A review was commissioned in March 2008, and the results are encouraging.

Internal Audit Performance

All our performance indicators are documented within **Appendix C**. Key areas to note are:

Better than target

- Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score was 4.38 against a target of 3.75 (the highest score being 5), reflecting the high opinion our audit clients have of auditor conduct and the quality and usefulness of reports.
- An average of 5.9 days training has been provided to each auditor, compared to a target of 5 days. This includes 'on the job' training, training for professional qualifications, audit technical update seminars and internal training such as the Leadership Programme. In addition, Chief Internal Auditors from each local authority in Cambridgeshire staged an 'Away Day' for all auditors in November. This was to share ideas and best practice across the county.
- The proportion of time spent on audit work is 81%, slightly higher than the target of 80%. The remaining 19% of time is spent on such things as training, team meetings, appraisals and administration. It also includes sickness.
- 100% of critical and high recommendations made were agreed, reflecting the high quality of audit reports.

On Target

- The length of time from completion of field work to issue of a draft report is on target at 15 days. The target will reduce in 2009 / 2010 to 10 days.

Areas for improvement

- 89% of critical and high recommendations were implemented, against a target of 100%. This has dropped from 100% last year. This may reflect differing priorities of staff during a time of change, especially where service delivery methods are being altered, or where staff reductions have occurred.
- The average figure for the proportion of audits completed to timescale is 82%, below our target of 93%. However, performance has improved each quarter from 78% to 90%.
- An average of 18.63 days sickness per person was lost during the year, compared to a target of 5 days. There have been two officers on long term sickness within the team which has been actively managed in accordance with the Council's Attendance Policy and through Occupational Health.

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2008 - 31 MARCH 2009

The table below provides a summary of the assurances assigned to each of the reviews and the status of the recommendations made

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHIEF EXECUTIVES DEPARTMENT										
Investing in Communities			x		-	1	3	1	5	Final
Local Area Agreement: Grant 2007/2008	x				-	-	-	-	0	Final
Greater Dogsthorpe Partnership		x			-	-	1	-	1	Final
Urban II				x	-	16	7	5	28	Final
S.I. Chief Execs no. 1 (Cex1063-02)				x	-	8	5	4	17	Final

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS										
Eyrescroft		x			-	1	5	3	9	Final
Highlees	x				-	-	-	1	1	Final
West Town		x			-	1	4	2	7	Final
Longthorpe		x			-	1	2	2	5	Draft
All Saints Primary		x			-	-	3	-	3	Final

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS (continued)										
Abbotsmede Primary		x			-	-	5	2	7	Final
Oakdale primary		x			-	-	4	8	12	Final
Old Fletton		x			-	1	5	5	11	Final
Newborough		x			-	2	1	3	6	Final
Newark Hill		x			-	1	3	2	6	Draft
Norwood		x			-	3	2	1	6	Draft
St Thomas Moore		x			-	-	1	4	5	Draft
Nene Valley		x			-	-	3	2	5	Draft
Parnwell Primary		x			-	-	2	2	4	Draft
Middleton			x		-	3	3	2	8	Draft
Stanground St Johns			x		-	2	4	-	6	Draft
Winyates				x	-	n/a	n/a	n/a	n/a	Standards not met. To be reassessed in 2009/10
The Phoenix			x		-	3	5	2	10	Draft
Northborough			x		-	3	1	1	5	Draft
St John Fisher: Compliance				x	1	5	5	3	14	Final

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS (continued)										
FOLLOW UP										
Caverstede Early Years Centre					n/a	n/a	n/a	n/a	n/a	Final
Werrington					n/a	n/a	n/a	n/a	n/a	Final
William Law					n/a	n/a	n/a	n/a	n/a	Final
Braybrook					n/a	n/a	n/a	n/a	n/a	Final
Queens Drive					n/a	n/a	n/a	n/a	n/a	Final
Brewster Infants					n/a	n/a	n/a	n/a	n/a	Final
Paston Ridings					n/a	n/a	n/a	n/a	n/a	Final
Matley					n/a	n/a	n/a	n/a	n/a	Final
Heritage Park					n/a	n/a	n/a	n/a	n/a	Final
Thorpe					n/a	n/a	n/a	n/a	n/a	Final
Gunthorpe					n/a	n/a	n/a	n/a	n/a	Final
Orton Wistow					n/a	n/a	n/a	n/a	n/a	Final
Hampton Hargate					n/a	n/a	n/a	n/a	n/a	Final
Duke of Bedford					n/a	n/a	n/a	n/a	n/a	Final

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS (continued)										
Fulbridge					n/a	n/a	n/a	n/a	n/a	Final
Marshfields					n/a	n/a	n/a	n/a	n/a	Final
Dogsthorpe Junior					n/a	n/a	n/a	n/a	n/a	Final
Southfields Junior					n/a	n/a	n/a	n/a	n/a	Final
CHILDRENS SERVICES: OTHER ACTIVITIES										
Orton Longueville: Cashless System				*	2	3	4	2	11	Final
Home to School Transport		*			-	-	3	4	7	Final
Foster Care Overpayments	*				-	-	-	2	2	Final
Private Fostering					n/a	n/a	n/a	n/a	n/a	Insufficient evidence to form a view. To be re-audited in 12 months time.
S.I. Children's Services no.1 (Chi2340-02)				*	2	13	7	1	23	Final
S.I. Children's Services no. 2 (Chi2450-01)			*		-	7	10	3	20	Final
SI Children's Services no. 3 (Chi2410-03)				*	-	5	3	-	8	Final
S.I. Children's Services no.4 (Chi2320-01)			*		-	4	4	-	8	Final
S.I. Children's Services no. 5 (Chi2330-02)			*		-	1	-	-	1	Final

APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: OTHER ACTIVITIES (continued)										
S.I. Children's Services no. 5 (Chi2310-02)					n/a	n/a	n/a	n/a	n/a	Memo
Surestart follow up					n/a	n/a	n/a	n/a	n/a	Final – implementations of recommendations still in progress.
Secondary Schools Closure follow up					n/a	n/a	n/a	n/a	n/a	Final – all implemented
PCAE follow up to 07/08 report					n/a	n/a	n/a	n/a	n/a	Final - 2 recommendations not implemented

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CITY SERVICES										
Budgetary Control			x		-	4	6	2	12	Draft
Schedule of Rates – Property Maintenance Services			x		-	3	7	2	12	Draft
Internal Conflicts of Interest - Contracting					n/a	n/a	n/a	n/a	n/a	Memo

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APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
ENVIRONMENTAL AND COMMUNITY SERVICES										
Central Library		x			-	2	5	9	16	Final
SEN: Transport Tender		x			-	-	5	-	5	Final
Street Lighting			x		-	4	2	1	7	Final
Jack Hunt Pool Refurbishment				x	1	12	9	2	24	Draft
Planning Obligations				x	1	3	5	-	9	Final
Street Wardens password security					n/a	n/a	n/a	n/a	n/a	Memo
British Sugar follow-up					n/a	n/a	n/a	n/a	n/a	8 of the 16 recs implemented

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
STRATEGIC RESOURCES										
Council Tax		x			-	-	4	1	5	Final
NNDR		x			-	-	1	1	2	Final
Purchasing Cards				x	1	3	9	4	17	Draft
Bank Imprest Accounts			x		-	7	3	9	19	Final
Treasury Management		x			-	-	2	-	2	Draft

APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
STRATEGIC RESOURCES (continued)										
Cash and Banking		*			-	1	3	6	10	Final
Payroll					-	-	-	-	-	Report not yet issued
Debtors			*		-	3	7	1	11	Draft
VAT rate change		*			-	-	-	-	-	Memo
S.I. Strategic Resources no.1 (Str5240-03) Dogsthorpe Library internet					n/a	n/a	n/a	n/a	n/a	Memo
S.I. Strategic Resources no. 2 (Str5470-16)					n/a	n/a	n/a	n/a	n/a	Memo
Teachers Pensions: Longthorpe Primary		*			-	-	1	1	2	Final
Teachers Pensions: Nene Valley Primary	*				-	-	-	3	3	Final
Teachers Pensions: Arthur Mellows Village College			*		-	-	1	2	3	Final
Teachers Pensions: Bushfield College	*		*		-	1	-	-	1	Full assurance was given on the pensions aspect, however, a limited opinion was provided on a separate issue identified.
Teachers Pensions: PCC Payroll			*		-	1	1	-	2	Final

APPENDIX A

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
ICT										
IT Governance – interim review					n/a	n/a	n/a	n/a	n/a	Memo
ICT Managed Service – Board attendance					n/a	n/a	n/a	n/a	n/a	n/a
Government Connect project					n/a	n/a	n/a	n/a	n/a	n/a
Information Sharing Steering Group					n/a	n/a	n/a	n/a	n/a	n/a
Network Management follow up					n/a	n/a	n/a	n/a	n/a	Final – all critical, high and medium recs implemented
Internet follow up					n/a	n/a	n/a	n/a	n/a	Final – as above
Quality Assurance follow up					n/a	n/a	n/a	n/a	n/a	Final – as above

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AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CORPORATE ACTIVITY / CROSS CUTTING REVIEWS										
Grants:										
GAF2 07/08					n/a	n/a	n/a	n/a	n/a	Memo
LPSA 07/08					n/a	n/a	n/a	n/a	n/a	Memo
Bus Service Operators 07/08					n/a	n/a	n/a	n/a	n/a	Memo
CIF 07/08					n/a	n/a	n/a	n/a	n/a	Memo
Final Account Statements 2007 / 2008:										
Annual Statement on Internal Control 2007/08		*			n/a	n/a	n/a	n/a	n/a	Final - committee report
Audit Opinion 2007/08		*			n/a	n/a	n/a	n/a	n/a	Final - committee report
Assurance framework 2007/08		*			n/a	n/a	n/a	n/a	n/a	Final - committee report
Final Account Statements 2008 / 2009:										
Annual Governance Statement 2008/09		*			n/a	n/a	n/a	n/a	n/a	Draft - committee report
Audit Opinion 2008/09		*			n/a	n/a	n/a	n/a	n/a	Draft - committee report
Assurance Framework 2008/09		*			n/a	n/a	n/a	n/a	n/a	Draft - committee report
CAA / Use of Resources					n/a	n/a	n/a	n/a	n/a	Collection of data for submission to PwC

TOTAL RECOMMENDATIONS MADE **8** **129** **189** **116** **442**

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

NO ASSURANCE		Date To Audit Committee
1	Urban II	June 2009
2	S.I. Chief Execs no. 1 (Cex1063-02)	June 2009
3	Winyates	June 2009
4	St John Fisher: Compliance with Financial Regulations	June 2009
5	S.I. Children's Services no. 3 (Chi2410 -03)	June 2009
6	Planning obligations	June 2009

LIMITED ASSURANCE		Date To Audit Committee
7	S.I. Children's Services no. 2 (Chi2450-01)	June 2009
8	S.I. Children's Services no. 4 (Chi2320-01)	June 2009
9	S.I. Children's Services no. 5 (Chi2330-02)	June 2009
10	Street Lighting	June 2009
11	Bank Imprest Accounts	June 2009
12	Teachers Pensions: Bushfield College	June 2009

Note, there are other reports with Limited or No Assurance identified in Appendix B which have been reported throughout the quarterly performance reports.

Report 1: Urban II

Introduction

Whistle-blowing allegations were received which indicated a number of alleged malpractices within the Urban II team. During the same period it was identified that the Acting Urban II Programme Manager had released confidential information to a third party, namely information that was classed subjudice to the Government Office of the East of England (GO-East). The Acting Urban II Programme Manager was suspended from duty whilst an investigation was carried out of the disclosure of confidential information. The scope was increased to investigate the whistle-blowing allegations.

Parallel reviews were conducted by the Corporate Investigation Officer and Internal Audit. As part of the 2008/2009 audit plan, the Urban II programme was due to be reviewed. The programme is subject to a final audit by the European Commission called a section 15 audit, the audit scope was to review the programme and resolve any weaknesses prior to the European Commission audit.

This is one of two Internal Audit reports. This report relates to the procedural aspects of the review, and contains recommendations where necessary. In some instances recommendations cannot be made relating to Urban II, as the programme is drawing to a close, however the issues must be considered when applying and distributing future funding streams. The other report relates to the investigations made into the allegations made by the whistle-blower.

Executive Summary

The turnover of managers ultimately responsible for the programme has resulted in differing priority been given to it. The managers who initially bid for the funds, were not aware of the requirements from the Council, partly as the guidance had not been issued to the authority, and ultimately did not set the team up to deliver a successful programme. It is recognised there has been much good work undertaken by the programme, however the lack of resources, and management willing to give additional resources, despite ring fenced funding being available, has resulted in the current position. The officers working within the team have constantly been “fire fighting” to deal with problems as they have arisen, and as a result this has led to improper practices.

There was enormous pressure from all parties to meet the European Commission set N+2 target. This target was met, but only at the expense of other tasks.

It must also be recognised, that there will inevitably be a clawback of funds. This report hopes to limit this, where applicable, but whilst some issues can be quantified, as funds at risk, other issues cannot be done so easily. For example where there is no evidence of targets being met, but the project is finished.

It is almost certain that there will be an element of clawback by the European Commission in their audit. Whilst, this is not particularly unusual, as there has already been some minor clawback of £138k, due to the number of issues, the value may be significant, but cannot be quantified. The Council may also be liable for a fine, if it felt we have not followed the proper processes. Legal advice should be sought on our legal position.

Scope & Objectives

The audit scope and objectives were:

- To investigate the whistle-blowing allegations in relation to the breakdown in controls.
- Review processes in preparation for the European Commission article 15 audit.
- Make recommendations, where applicable, for future funding streams.

Conclusion

It is evident that there have been major problems with the programme from its inception, mainly due to the understaffing of the team. In the original bid for the European Regional Development Fund (ERDF) monies, it detailed there would be seven full time equivalent's (FTE) within the team, but at most the programme has had five FTE, and has been as low as one FTE. This has not allowed the team to meet its duties within the guidance, and all new staff that have joined the team have been "fire-fighting" against the inherited problems, rather than proactive working. This is not a criticism of the members of the Urban II team, as it is evident that team members are dedicated to the work that they do, and all wish for the programme to achieve successful closure.

Many of the points in this report have been raised in previous audits, for example the mid-term evaluation commissioned by the European Commission, in 2005. The Internal Audit report dated early 2004 made reference, particularly in relation to the understaffing, and although little improvements have been made, none have had a big enough impact on the programme to improve processes.

Morale within the team is low. Interviews with officers revealed a reluctance to make decisions and be accountable, as there may be repercussions. There is an ethos that "nobody wants to put their name to anything." It is recognised that there are political sensitivities within the programme, and there have been complaints made from projects, however officers should feel supported to make decisions.

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**.

Report 2: S.I. Chief Exec's no.1 (Cex1063-02)

Introduction

Whistle-blowing allegations were received which indicated a number of malpractices within the Urban II team. During the same period it was identified that the Acting Urban II Programme Manager had released confidential information to a third party, namely information that was classed subjudice to the Government Office of the East of England. The Acting Urban II Programme Manager was suspended from duty whilst an investigation was carried out of the disclosure of confidential information. The scope was increased to investigate the whistle-blowing allegations.

Parallel reviews were conducted by the Corporate Investigation Officer and Internal Audit. As part of the 2008/2009 audit plan, the Urban II programme was due to be reviewed. The programme is subject to a final audit by the European Commission called a section 15 audit, the audit scope was to review the programme and resolve any weaknesses prior to the European Commission audit.

This is one of two Internal Audit reports. This report relates to the investigations made into the allegations made by the whistle-blower, the other report relates to the procedural aspects of the review, and contains recommendations where necessary.

Executive Summary

The investigation undertaken by the Corporate Investigation Officer concluded that there was a case to answer in respect of the disclosure of confidential information, and recommended that disciplinary action be taken.

This report details other aspects relating to the procedural aspects, and concludes that:

- Backdating of documents such as offer letter amendments has been common practice, but as the practice is so widespread, one person cannot be held accountable.
- The European Commission have been misled from statements provided by the Acting Urban II Programme Manager regarding the Article 4 visits.
- There are inaccuracies on the Annual Implementation Report provided to the European Commission, mainly due to not checking of data entered onto the report, and the data from previous reports.

It is almost certain that there will be an element of clawback by the European Commission in their audit. Whilst, this is not particularly unusual, as there has already been some minor clawback of £138k, due to the number of issues, the value may be significant, but cannot be quantified. The Council may also be liable for a fine, if it felt we have not followed the proper processes. Legal Advice should be sought on our legal position.

Scope & Objectives

To investigate the whistle-blowing allegations in relation to control issues.

Where the whistle-blowing allegations resulted in disciplinary issues, these were investigated by the Corporate Investigation Officer.

Specific control weaknesses and recommendations are detailed in the procedural report.

Conclusion

The Acting Urban II Programme Manager does not view that he has done anything wrong, and believes that there are no issues with the programme. As detailed in the procedural report there is a number of issues that may result in clawback, therefore the understanding of the Acting Urban II Programme Manager differs to other officers.

The working relationship between the Acting Urban II Programme Manager and the Acting Programme Delivery Manager (December 2007 – September 2008), was poor, and as a result two different accounts have been presented, resulting in an inability to clarify actual events.

There is a general tendency not to record decisions. Many of the instances in this report may have been avoided by explaining the action taken, and on what basis the decisions were made. It is difficult to remember the background to each decision made, and different officers' accounts of a particular instance often differ. More importantly, there is no audit trail to examine by outside parties. This is particularly relevant for the Article 15 audit undertaken by the European Auditors, and the procedural Urban II report, will report this in more detail.

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**.

Report 3: Financial Management in Schools (FMSiS) Winyates Primary School

Following the recent External Assessment process, I regret to inform you that your school has not met the requirements of the Financial Management Standard in Schools. This will be detailed in the S151 Officer's declaration, attached to the Section 52 outturn statement.

This is due to the number of outstanding queries relating to several areas of the Standard that remained unanswered as at 31st March 2009. Please refer to the issues detailed below.

The school was originally subject to the External Assessment process during 2007/08 and following submission of your 'G4 Financial Management Standard and Assessment Tool' (January 2008) it was agreed with my Principal Auditor that the school would have difficulty in meeting the requirements of the Standard within the short timescales remaining due to other issues outstanding relating to Ofsted.

Therefore, arrangements were made for the school to continue to work towards achievement of the Standard during 2008/09, with a view to re – submission of the G4 followed by an External Assessment visit by one of my auditors. Unfortunately, this document was not updated, which resulted in an increased number of queries during the visit, subsequent correspondence to clarify issues, and resultant further work required by my team in obtaining responses to queries. Areas that are outstanding were detailed on a list provided to you on 10/02/09.

I appreciate that the school has primarily concentrated on addressing the issues highlighted by Ofsted during this time period, and it is unfortunate that this has resulted in the above. Your school will be subject to the External Assessment process again during the current financial year, 2009/10, as prescribed by the DCSF.

Report 4: St. John Fisher Compliance with Financial Regulations

Executive Summary

A review of the school's adherence to Financial Regulations and The Scheme for the Financial Management of Schools was undertaken at the request of the Assistant Director (Resources), Children's Services.

A review of the progress against observations and recommendations made in relation to the Financial Management Standard in Schools, FMSiS, was also undertaken. The school did not meet the Standard during 2006/07, nor did they meet the revised schedule issued for July 2007/08. A full review was undertaken during December 2007 whereby the school met the Standard due to the commitment and dedication of the Bursar. Therefore, it is pleasing to note that all the recommendations have been addressed in a timely manner, as detailed on the school's management response relating to the 2007/08 review.

Since this audit visit it should be noted that the Governing Body has been dismissed and the Head has resigned citing personal reasons. An Interim Executive Board (IEB) and Executive Headteacher have been appointed to the school, and as such the findings of this review have been reported accordingly.

Scope & Objectives

The purpose of the audit was to undertake a review at St John Fisher School in relation to:-

- The school's bank accounts and related expenditure
- Payments to Teachers
- The Scheme for the Financial Management of Schools, and delegated authority
- A follow up of recommendations made as part of the FMSiS (2007/08) review

Conclusion

The school has employed the services of a solicitor and consultant for advice and assistance as a result of a warning letter sent by Peterborough City Council. This has incurred costs of £9,389. Draft minutes of an extraordinary Governing Body meeting detail that initially, these actions had not been in consultation with them, but initiated by the Chair and the Headteacher. However, further approval for expenditure in this area was given at the meeting, and the Headteacher's delegated limits of authority increased by £10,000.

Travel expenses made to teachers in relation to foreign travel have been identified and are in relation to planned school trips and their associated preliminary visits. It is unclear whether the school's policy for educational visits has been abused.

Despite areas of weakness, as detailed in the report, the Bursar has addressed issues she had control over, maintaining effective systems. Therefore, areas highlighted as a result of the Financial Management Standard have been addressed satisfactorily, resulting in one recommendation detailed within the body of this report.

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**.

Report 5: S. I Children's Services no.3 (Chi2410-03)

Executive Summary

Barclays Bank notified Peterborough College of Adult Education (Pcae) of a shortfall of £1,000 in their banking deposited on 17th June 2008, relating to cash collected on 13th June 2008. The discrepancy was investigated by the Corporate Investigation Officer. The investigation concluded that the theft could have taken place either at Pcae or at Barclays Bank. Therefore a review of the cash and banking procedures was undertaken by Internal Audit.

The work undertaken by Internal Audit identified a number of control weaknesses within the cash collection and banking processes at Pcae and therefore supports the opinion of the Corporate Investigation Officer.

Issues raised as part of a follow up review, ongoing at the time of this investigation, have been included due to their financial implications.

Scope & Objectives

The purpose of the audit was to:

- Establish stated procedures for cash and banking were followed for a period of one month leading up to and including the 17.06.08.
- Ensure cash is held securely at Pcae.
- Make recommendations to strengthen current cash handling and banking procedures.
- Comment on where the cash may have gone missing within the process, if possible.

Conclusion

There is no evidence to prove where the misappropriation of cash took place, or who may be responsible for the theft. It is possible that the cash could have gone missing before it was placed in the safe, while it was stored in the safe (due to the large number of staff who have safe access), on removal from the safe prior to the banking, or at the bank.

Errors on financial records highlighted within this report, may result in the reported delays in the compilation and submission of financial information to the Children's Services Finance Team.

The implementation of the recommendations in the report will enhance the controls in the cash handling process and reduce the risk of any cash going missing in the future.

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**.

Report 6: Planning Obligations

Executive Summary

This audit report follows up on issues referred to in the Internal Audit report in relation to obligations relating to the British Sugar Site in March 2008. Issues relating to the British Sugar site have been resolved.

The Planning Obligations Implementation Scheme 2008 (POIS) was approved by full Council 10 December 2008. The sustainability appraisal consultation is scheduled to commence on 6 March 2009 for 6 weeks with the Supplemental Planning Document scheduled for adoption in the 3rd quarter of 2009.

A walk-through of the planning obligation process showed that the process map attached to the strategy and website document was incomplete and needs to be updated. Internal Audit has furnished the Planning Obligations Team Leader with a revised chart.

New obligations since December 2008 are using the new format, although these have not yet been completed via this process to date.

Updating of the S106 database has not progressed as quickly as planned because of resource issues with the Planning Obligation Officer and Administration Officer posts being vacant from July to November 2008 although the Council was aware of the strategic importance of maintaining the database. The planning team is currently approximately 50% through the process of verifying, updating and identifying trigger points with the help of a part-time consultant. Reconciliation of the S106 database to the Oracle financial system has just commenced but must be completed before closing the 2008/09 accounts in April 2009. In the future such reconciliations should take place quarterly.

Because the database is not up to date the risks of not having acted on trigger points in the S106 agreements could still result in clawbacks and invoicing not taking place. It is of paramount importance to resource this area in the short term until PCC is satisfied that all records are accurate.

The database is still only available to two staff but should be made available to appropriate planners etc. on a read only basis in order to avoid duplication of efforts. ICT should also look to see if it can integrate the database with the Oracle financial system.

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** on the basis of recommendation 5 which is 'critical'. Whilst there are processes and controls in place for obligations, there are potential weaknesses in consistency of their application, which has put the system objectives at risk. Therefore, there is a need to improve compliance with existing ones to reduce the risk exposure for the Authority.

Report 7: S.I. Children's Services no. 2 (Chi2450-01)

Background

Since August 2007, two major invoice frauds have been investigated by the Corporate Fraud team and passed to the police for action. A brief summary of each fraud follows:

Fraud 1 (F1)

An accountancy assistant submitted fictitious invoices under a fictitious company name, but using valid information about consultants employed on the Business Change Programme (BCP). The manager authorising the invoices noticed the different company name, but was aware that consultants sometimes changed agencies. The manager handed the invoices back to the accountancy assistant to check that they were valid. On their return, the invoices appeared to have been initialled by the BCP manager and the accountancy assistant confirmed that they were okay to pay.

The fraud, six invoices totalling approximately £58,000, occurred in April and May 2007 and was discovered during budgetary control checks at the beginning of August 2007. The offender had already tendered their resignation with a last day of service of 1st August 2007. The stolen money was promptly returned to the Council. The offender was recently convicted and sentenced to 12 months imprisonment.

Fraud 2 (F2)

The second fraud occurred from August 2005 to May 2007 and was discovered by Council staff when a Pricewaterhouse Coopers auditor queried an invoice chosen as part of a sample during an audit of an Urban II grant claim. The fraud, involving 12 – 16 invoices, is estimated to be approximately £110,000 and is currently subject to prosecution by the police.

It is alleged that a project team manager submitted and authorised fictitious invoices by fictitious suppliers relating to consultancy work. The invoices were coded to two projects, one being managed by the programme manager themselves (Urban II), the other being managed by a project manager who herself reported directly to the team manager. The team manager was known to have had a previous unspent conviction for theft at the time of recruitment in May 2004.

Scope & Objectives

The objective of this audit is to determine the control weaknesses that led to these frauds occurring and that resulted in any delays in detecting them.

The scope included a review of the procedures and processes in relation to:

- Supplier vetting and set-up
- Invoice approval
- Budgetary control (Re Fraud 2)
- Project and Performance management (Re Fraud 2)
- Recruitment (Re Fraud 2)

Conclusion

A variety of control weaknesses, covering all those areas detailed in the scope above, have lead to the perpetration of these frauds.

Both frauds occurred prior to the full implementation of the upgraded Oracle Purchase-to-Pay system.

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 8: S.I Children's Services no. 4 (Chi2320-01)

Introduction

Internal Audit and ICT were informed that a laptop had been stolen from the Acorns Centre. While the Centre is part of the asset portfolio of the PCC, alongside Welland School, the building is jointly used by the Primary Care Trust and a number of other agencies.

There is some dispute as to who the asset belongs to - PCC or PCT. There is also an allegation that the laptop contains confidential data. Joint working with PCT is proposed in order to progress this.

Audit Objectives

As part of the review, there was a need to:

- Verify security of the building;
- Verify asset management arrangements;
- Verify asset transfer arrangements;
- Verify maintenance / configurations;
- Data security / governance arrangements to be followed up (PCT to take lead); and
- Provide assurance, or otherwise, so that the processes are sound for the compliance of security of data and the office.

Executive Summary

From the joint review with the PCT and ICT it has been established that a laptop was stolen from Acorns Centre, next to Welland School, Monday 13 October pm following an opportunist break in. Internal Audit were not informed until Thursday 16 October am., contrary to internal protocols. However, there were mitigating circumstances as it was not originally thought to be a PCC asset.

The 5½ year old laptop was allocated to an individual who was employed through PCC. The Officer had subsequently transferred to other organisations e.g. Surestart and had taken the laptop with her. The computer asset had transferred with the employee, although there is no formal documentation or sign off during this process. Furthermore, there are no controls in place over transfer off assets to other organisations. There are no records of how many assets have transferred or to where. This needs to be investigated further as this has implications in relation to hardware, software licences, warranty issues etc. Finally, as assets have been transferred, there are no records highlighting who has approved the transfer and any financial recompense necessary.

The laptop was not encrypted, resulting in lax data security arrangements. Again, this has been as a result of the lack of ownership of the asset. As well as the laptop being unencrypted, data sticks within the section are also unencrypted. While these were not taken, there is a risk that other information held on these devices could be of sensitive nature and could fall into the "wrong hands".

Effective IT Network arrangements are not in place. The laptop taken was standalone with no appropriate network connection. As a result, with an inability to store data in a central repository, this led to all data being stored on the data stick, and presumably (as we have not been able to verify this as the laptop has not been recovered) on the laptop hard drive. There needs to be a fundamental review of information governance which maps out all data flows for all partnership bodies. In conjunction with the above, there should be an initial review of

the network arrangements (or otherwise) in place at all children centre buildings. As part of any guidance issued, reminders on back ups arrangements should be included

A full building security review is needed. While there are no shutters to building, there are alarms and sensors in place. All computers are not locked away (or secured to desks). PCT are to conduct a physical security review of all children centres. As part of any guidance issued, reminders on security processes should be included

There needs to be corporate training on data - security, sharing, storing etc. This needs to be standards across all partners - possibly as a joint provision. As part of this, the management information protocols needs to be consistent between all partners / bodies. This should cover areas such as:

- Homeworking arrangements;
- Data sharing (with partners);
- Prevention of use of hotmail accounts and opening up access to them;
- Password sharing;
- Shared accounts and shared laptops;
- Employees and interims/consultants to all abide by same standards and to sign up to these; and
- Management of third party contractors

Conclusions

While it is accepted that the theft was opportunist, the controls in place around the assets were lax. This included:

- Lack of ownership of the asset with no control over its transfers;
- A lack of procedures or processes in place to ensure encryption and security of assets and data; and
- Ineffective networking arrangements

It will always be difficult to establish a consistent approach with a myriad of services; whether public or voluntary being delivered from the same building, but common protocols need to be established.

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 9: S.I. Children's Services no. 5 (Chi2330-02)

Internal Audit visited New Horizons in order to undertake a spot cash check of the imprest on 7th January 2009.

At the time of the visit it was not possible to reconcile the cash held to the records maintained at the establishment. A number of reasons for this have been identified below.

- The manual cash book entries included errors in values recorded, and there were several adjustments made to balances particularly relating to the secondary float.
- The electronic cash book was completed to 17th December 2008, therefore not updated for 3 weeks.
- Not all receipts and related vouchers were present and available for inspection.
- Secondary float summary sheets contained errors relating to both receipt amounts and the cash balance, and the current sheet was not up to date.
- Cash advances remained outstanding in excess of two weeks.
- The number of officers involved in maintaining accurate records.

In summary, the records relating to the imprest account are not maintained as an adequate up to date record of transactions, in order to be able to verify cash held to records. New Horizons officers should be instructed to ensure that records are completed accurately and in a timely manner, with supporting paperwork passed to the Administration officer promptly.

It should be noted that the Administration Officer has worked hard to gather together supporting information and to reconcile the imprest account. As at 12th January 2009, there were no outstanding issues.

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**.

Thank you for your response in respect of this matter. It has been agreed that appropriate training will be provided to the relevant officers in terms of managing the petty cash accounts and recording. This can then be conveyed to the staff with clear instruction on how they handle the money and receipts and disciplinary sanctions where this is not adhered to.

Report 10: Street Lighting

Executive Summary

Although the Street Lighting Manager only highlighted that understaffing problems affected one of the objectives in his risk identifier (which has been acknowledged by the Head of Environment, Transport and Engineering and the Asset Management Group Manager), it soon became apparent that heavy workloads was a much wider issue that has had a serious impact on the day to day working of the team. Increasing the size of the team would be one option to meeting the demands on the service, however there are also alternative methods that can be employed to achieve the required level of service, particularly in the current financial climate. The Head of Environment, Transport and Engineering plans to make efficiencies in three ways:

- Introducing a computer system that is fit for purpose and makes operational efficiency savings (either the Highlight Horizon system already planned or a more up to date system, with links to highway maintenance and New Roads and Street Works Act, NRSWA).
- Streamlining operations with the street lighting contractor to maximise their involvement
- Making more use of consultants to bridge gaps in service provision and ensuring that their work is fit for purpose

The old contractor did not directly employ sufficient specialist staff to repair Council network cable faults, which had resulted in certain specialised repairs taking longer to complete than necessary. There was no penalty in the old contract that would compensate the Council for undue delays and this is not specifically covered in the new contract that commenced on 1 October 2008 either.

Although there have been occasions when the old contractor could have been penalised in respect of performance issues, these were not pursued.

The programming of planned maintenance work, especially on the parkways, has to be carefully planned due to the impact that other necessary works have on the access to road space.

Due to current resources not all invoices are raised and sent to third parties to cover the cost of damage to street lighting furniture, so the Council is paying for these from its already stretched budgets.

Not all the data required under Department for Transport regulations is gathered because there is currently no software on which to store it and it would also be too time consuming to retrieve such data from manual records.

It is worth noting that the issues highlighted are already being addressed, and this has been reflected within the management response received.

Scope & Objectives

To undertake a risk based audit of the Street Lighting service following the completion of a risk identifier by the Street Lighting Manager.

Conclusion

The Street Lighting team has been handicapped by substantial workloads for a considerable period but despite this, its members work very well together to cope. However, the team itself is aware of its deficiencies and knows that more could be done to improve the service. The low level of assurance given in the audit opinion below is not a reflection of the calibre of the current staff but highlights the fact that they have been working with inadequate staffing, an outdated computer system and have met with increasing operational problems in areas such as getting the necessary road space to carry out regular maintenance on the parkway system. Improvements will be achieved by the implementation of Head of Environment, Transport and Engineering's plans for the future (briefly outlined in the Executive Summary of this report).

Risks identified that are not detailed separately in the body of the report were considered satisfactory as there are currently sufficient controls in place to mitigate them.

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 11: Bank Imprest Accounts

Executive Summary

The need for bank imprest accounts is declining with the advent of purchasing cards. Also, with the recent relocation of some remote offices to a central site, ordinary petty cash imprests are likely to be sufficient for many of the services now. Two accounts were identified as having been dormant since 2006 and need to be closed.

There is no documented policy of the criteria that must be met before a bank imprest account is opened and no corporate guidance notes are issued to the account holders.

Imprest account names do not always tally with the corresponding names given on the balance sheet and there are a number of balance sheet imprest codes that are no longer used but still have names beside them. Also, in some cases, balance sheet accounts do not accurately reflect bank imprest limits.

The central file of bank imprest accounts maintained by the Treasury and Insurance team is disorganised and some of the information held is out of date.

It was found that in some cases when signatories have left, their successors have assumed signatory responsibilities without new bank mandates being raised. In other cases, the number of signatories has just been reduced when staff have left, even if this only leaves one signatory for the account. This also highlights that in many cases, only one signature is required on cheques, which does not comply with best practice in areas where it is operationally viable to have two.

Scope & Objectives

To undertake a review of the use of bank imprest accounts across PCC.

Conclusion

Prior to the start of this audit, there were already concerns within the Finance Division about the accuracy of the accounting information in relation to imprest accounts in general and action was already being taken. There were also concerns about the management control of bank imprest accounts within departments and once again, action was being taken by some of the heads of business support to address these issues.

The operational administration of the bank imprest accounts examined has generally been found to be satisfactory.

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 12: Teachers Pensions Bushfield College

Executive Summary

Bushfield Community College is one of the few Peterborough City Council schools and colleges that provides its own payroll service. The payroll is conducted by the very experienced Finance Officer. Checks are carried out by both the Principal and his deputy to establish that the payroll is accurate, and a separation of duty control exists requiring a second person in the process to release BACS payments from the college's bank account.

Internal Audit last conducted a review of Teachers' Pensions processes at the College in 2006. It is pleasing to note that all of the issues raised in the last audit report have been satisfactorily dealt with.

One major issue was identified during this review. Electronic payroll data is occasionally taken to be worked on at home by the Finance Officer on a memory stick. However the memory stick is not encrypted and, in light of a number of high profile data security breaches in the past year, the practice of taking home unprotected confidential data should cease with immediate effect.

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
- Degree of risk attached to the data provided for the return

Methodology

Manual and electronic payroll and pensions records were reviewed for 2007/08 to ensure compliance with Teachers' Pensions regulations.

Discussions were held with the Finance Officer and Finance Manager to establish the processes in place at the school.

Conclusion

Notwithstanding the issue of the unencrypted data, it was noted during the course of this review that controls relating to Teacher's Pensions work well. The Finance Officer has a clear understanding of her role. Her assistance during the course of this review is very much appreciated.

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 **full assurance** in relation to the pensions review undertaken, taking into account the prompt resolution of previous audit recommendations and satisfactory

processes in place. However it should be noted that the audit opinion of **limited assurance** should be given in relation to the observation and recommendation made in the report, due to the serious nature of the issue highlighted. For guidance on internal audit opinions and audit recommendation priorities, please refer to Appendix 3.

PERFORMANCE INDICATORS 2008/ 2009

Performance Indicator	Annual Target	Actual	Comments
Customers Opinion			
Average rating Post Audit Questionnaire rating	> 3.75	4.38	PAQ issued to all clients on completion of an audit. Maximum score 5
Does the external auditor place reliance on the work of Internal Audit?	Yes	Yes	There are no adverse comments within the Annual External Audit report regarding internal audit
Number of complaints received in relation to the service	Nil	1	Standard target of Nil. Dissatisfaction from one client in relation to the audit report produced. CIA held meeting with Head of Service to resolve.
Number of compliments received about the service	4	6	Standard set at one per quarter
Process Related			
Percentage of audit days delivered compared with the original audit plan	100 %	109 %	Seen as a measure of the success of the audit planning processes when plan drawn up. Unforeseen events include an early (3 months) return from maternity leave, the use of agency staff, and officers working hours in excess of the standard hourly week.
Percentage of planned audits completed	93 %	75 %	Less than planned due to higher level of unplanned jobs than originally estimated, which take longer than the planned audits they displace. Low priority jobs have been removed from the plan and substituted with the unplanned "high profile/risk" activities.
Average number of days between fieldwork completion and issue of draft audit report	15 days	15 days	Target level is reducing in 2009/10
Percentage of planned audits completed to timescale	93 %	82 %	There has been an improvement each quarter from 78% to 90%, but the figure reported here is an average.
Percentage of Internal Audit work for joint / external business	7 %	7 %	There is a potential to expand coverage to other organisations.

PERFORMANCE INDICATORS 2008 / 2009

Performance Indicator	Annual Target	Actual	Comments
Process Related (continued)			
Does IA comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006?	Yes	Yes	Based on an annual benchmarking exercise utilising 191 questions. Full compliance on 177 areas.
Does the council comply with CIPFA best practice for Audit Committees and meet CPA standards?	Yes	Yes	Annual assessment from CPA
Has the Council established an effective assurance framework?	Yes	Yes	Annual assessment from CPA
Percentage of critical / high priority recommendations agreed	97 %	100 %	Managers reserve the right to accept the risks within their service
Percentage of critical / high priority recommendations implemented	100 %	89 %	Based on the follow-ups carried out in the year.
Percentage of critical / high priority recommendations followed up within 6 months of final report issued	65 %	55 %	A single delayed (due to other work commitments) follow-up has had a large detrimental impact on this performance indicator.
Organisational Development			
Number of audit training days per auditor	> 5 days	5.9	Commitment to ongoing training
Annual appraisals completed to timescale	Yes	Yes	Staff appraisals to be completed timely within the year
Working days lost to sickness per FTE	5 days	18.63	Use of Occupational Health to manage long term sickness of two officers.
Staff productivity	80 %	81 %	Chargeable days
Proportion of staff qualified (IIA/CIPFA)	25%	20 %	Two fully qualified. One member of staff actively studying, two others registered.

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