

APPENDIX A

**ANNUAL AUDIT OPINION
2015 / 2016**



ANNUAL REPORT

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1. **INTRODUCTION**

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit Committee and the Corporate Director Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.

2. **ARRIVING AT AN OPINION**

2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2015 / 2016. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit.

2.2 **Risk Based Planning**

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

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

2.3 The Audit Review

There are three elements to each internal audit review.

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

2.4 Reporting

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

AUDIT ASSURANCE	
Assurance	Definitions
Full	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
Significant	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.
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 / failure to achieve key objectives.

This is based upon the number and type of recommendations we make in each report. The prioritisation is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

3. OPINION 2015 / 2016

As Head of Internal Audit, 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 2015 / 2016 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the council's risk management control and governance processes;
Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
Considered any significant actions not accepted by management and the consequent risks, of which there were none;
Assessed the status of actions identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
Considered the effects of significant changes in the Councils objectives or systems and the requirement for Internal Audit involvement;
Reviewed and considered matters arising from reports to Council committees; and
Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

Following consideration of the above I am able to provide the following Head of Internal Audit Opinion for 2015 / 2016:

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

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

*Chief Internal Auditor
June 2016*

4. **BASIS OF ANNUAL OPINION**

- 4.1 The audit work that was completed for the year to 31 March 2015 is detailed at the end of the report and lists all the audits and their results in terms of the audit assurance levels provided and the number of recommendations made. A summary of assurance levels is detailed below. This shows that **76%** of the systems audited that were given an assurance opinion achieved an assurance level of significant or higher (2014/15: **44%** 2013/14: **43%**). The increased proportion of higher assurance levels in the year is likely to be the result of the change in focus and approach of audit work. This is particularly due to some areas of work being undertaken whilst services and systems were experiencing on going change and audit activity was real time rather than 'looking back' at historical events. This also reflects the reduction in recommendations being made during 2015/16.

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2013/14	2014/15	2015/16	2013/14	2014/5	2015/16
Full	0	0	0	0	0	0
Significant	6	8	13	43	44	76
Limited	7	9	3	50	50	18
No	1	1	1	7	6	6
	14	18	17	100	100	100

RECOMMENDATIONS MADE			
	Numbers		
	2013/14	2014/15	2015/16
Low	31	38	39
Medium	45	68	65
High	40	67	37
Critical	1	0	0
	117	173	141

- 4.2 In addition to the audits detailed in the above table, further audit work was carried out, including 4 follow-ups, 9 grant reviews, 15 pieces of consultancy or unplanned work resulting in memos as well as 5 governance reports. At the year-end 11 audit reviews and 1 follow up were in various stages of completion and audit opinions relating to these will be reported during 2016 / 2017 as part of the agreed performance reporting timetable to the Audit Committee.

4.3 **Annual Governance Statement**

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

4.4 Risk Management and Business Continuity

Progress continues to be made, where the risk management working group meets regularly to discuss emerging issues and changes in risk. Risk registers are updated in conjunction with the Corporate Management Team and reported to Audit Committee. The risk management team and working group continue to cascade the risk process throughout the authority in developing robust reporting mechanisms.

4.5 Key Financial Systems

One or more of the authority's key financial systems is reviewed every, based on an assessment of risk. This year, cash and banking controls were reviewed, with no major issues identified. Payroll and budgetary controls within a capital project are also nearing completion. Any major issues arising will be reported to audit committee as appropriate. Audit activities have also included reviewing and advising on the implementation of the new Human Resources system and Agresso. Whilst time was included in the plan for the Human Resources system this was not the case for Agresso due to a delay in the original system implementation date. The impact of this as that a significantly increased amount of time has been spent on the organisation's core financial system than originally planned. Any issues arising were addressed as the review progressed. This audit approach has resulted in the ability to give a significant assurance on the areas reviewed which included Data Migration, User Acceptance Testing, Interfaces, Authorisation Hierarchy and Access Rights.

4.6 External Activities

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

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

Internal audit also includes the investigations team who are responsible for reviewing Benefit Fraud, corporate fraud, staff misconduct and Blue Badge fraud. A separate report covering their activity for the year is brought to the Audit Committee alongside this one. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. In 2015 / 2016 Internal Audit have been involved in one investigations, which is ongoing.

The Public Sector Internal Audit Standards require Internal Audit to evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities. This includes a review against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014); an assessment of our current policies and procedures together with the establishment of a fraud and corruption risk register. Internal Audit has established a baseline assessment against the standards together with a potential action plan to move forward. This will be developed further during 2016 to review and update the necessary policies and procedures; provide appropriate training and raise awareness across the council.

4.8 Limited and No Assurance reports

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

Reports for 29 June 2016

- Mobile Phones
- Statutory Testing

Reports which have a limited opinion and are in draft at the year-end will be reported to subsequent Audit Committee meetings as they are finalised.

4.9 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. One area that is worthy of note is:

Statutory Testing: This review was carried out in response to concerns raised around statutory testing and the required remedial work within Council properties. The audit found little evidence that the statutory testing programme was being actively managed or monitored. Issues were also identified around charging where it was found that PCC have been charged in excess of £19,000 for tests that could not be evidenced by supporting documentation and so it was unclear whether or not the testing had been delivered. Similarly it was found that PCC had been charged £1,066 for tests carried out at two sites where the testing had been done by independent contractors and payment had been made locally by the sites.

As a result of the issues found during this review the decision was taken to include a Statutory Asset Testing audit across a number of schools as part of the 2015/16 audit plan. The review is presently in draft and will be reported to the Audit Committee once it has been finalised.

5. **RESOURCING AND PERFORMANCE**

5.1 **Resourcing**

5.1.1 During 2015 / 2016, resources were made up as follows:

Chief Internal Auditor	1 post	0.40 FTE
Group Auditor	2 posts	1.46 FTE
Principal Auditor	1 post	0.60 FTE
Senior Auditor	2 posts	1.80 FTE
Auditor	1 post	1.00 FTE
	TOTAL	5.26 FTE

Staffing levels for Senior Auditors were reduced in August 2016 by 20% for one post due to reduced hours being worked.

5.1.2 The shared service arrangement with Cambridge City Council and South Cambridgeshire District Council, which has delivered efficiency savings and improved performance, has continued. Under this arrangement the Chief Internal Auditor's full time post is split between the authorities with South Cambridgeshire District Council receiving 20% of the post and Peterborough and Cambridge both receiving 40%.

5.1.3 In addition to the Internal Audit shared service arrangement the Chief Internal Auditor has management responsibility for the Insurance Team and the Compliance Team.

5.1.4 The level of sickness within the Internal Audit team is low with 1.33 days per person (0.5%) reported during the year compared to 1.58 days per person at the same time last year. This is also below the corporate target of 3% for employees (8 days).

5.2 **Performance**

5.2.1 The team has delivered 828 direct audit days against the original plan of 810 days (adjusted by 30 days to encompass the reduction of FTE). Where reviews were not delivered, this was mainly due to changes in priority, resulting in reviews being replaced with other unplanned audits. This was particularly relevant in relation to our core systems work in relation to the Agresso activities undertaken. There was similarly an extended review in relation to Statutory Testing, an expansion of audit scope to the NFI initiative and an ongoing investigation which has diverted audit resources. As the organisation is continually going through a cycle of change, business needs will also change. Some of the previously requested or planned reviews were found to be no longer appropriate or a priority and have not therefore been undertaken in agreement with the business. Where reviews are still considered to be pertinent they have been rescheduled to be undertaken during 2015/16.

- 5.2.2 All reports, plans and progress reports have been produced in accordance with agreed timescales and presented to Members via the Audit Committee. The Annual Governance Statement was reviewed by External Audit without any adverse comments.
- 5.2.3 Customer feedback remains very positive with continued high levels of satisfaction demonstrated from our customer questionnaires in excess of our target. Additionally, Internal Audit has undertaken a customer survey which is due to be completed in the near future. Early indications are that feedback is very positive and this will be reported to audit committee in the future along with any management improvement plan as appropriate. Internal Audit have also provided services to external customers and positive comments have been received regarding the reviews undertaken. This work has generated additional funds for the Council.
- 5.2.4 96% of all recommendations made in 2015 / 2016 have been accepted by management (100% of high and critical recommendations), against a target of 90%.
- 5.2.5 Where we have conducted follow-ups, we found that 85% of high priority recommendations that were agreed have been implemented, against a target of 90%. High recommendations that haven't been implemented relate mainly to the Frameworki System. There are limitations with the system and plans are in place to replace it in the future. However, management have given assurance that mitigating controls are in place. One further follow-up review related to Electronic Call Monitoring, which had been previously reported to Audit Committee. A decision was made to not introduce mandatory electronic call monitoring, however following a restructuring exercise the Assistant Director who is now responsible for the service is reviewing what the position on this area of activity should be. Internal Audit will review the outcome of this process and undertake any audit work as considered appropriate.
- 5.2.6 Internal Audit has historically reported on the effectiveness of internal audit against the Public Sector Internal Audit Standards (PSIAS) as a separate report item to this agenda on an annual basis. This is no longer an annual requirement and is therefore not reported at this time. A review of Internal Audit processes against PSIAS is planned for 2016/17 and the outcomes will be reported to the audit committee accordingly.

6. ASSURANCE LEVELS AND RECOMMENDATIONS 2015 / 2016

Where audits are "shaded", these represent those jobs not started at 31 March 2016.

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AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.							
Budgetary Control	All							A risk based review concentrating on budget management within one or more directorates. – IN PROGRESS
Payroll	Serco / Resources							A cyclical review of key controls. – IN PROGRESS
Fixed Asset Accounting	Serco / Resources							A cyclical review of key controls. Other higher priority audit activities replaced this review
HR IT System	Serco / Resources	N/A	N/A	N/A	N/A	N/A	N/A	A review of the control framework during the design and implementation of a new HR IT system designed to enable self-serve processes. – Audit consultancy advice activity has been undertaken on an on-going basis during the year. The project has recently been put on hold pending the appointment of a new project manager. Further implementation consultancy and post implementation testing will be undertaken during 2016/17 as appropriate. - COMPLETE

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.							
Cash and Banking	Serco / Resources	Significant	0	1	4	6	11	Review of key controls – FINAL
Financial System Project Implementation (Agresso) (Unplanned work) Data Migration User Acceptance Testing Interfaces Authorisation Hierarchy Access Rights	Serco / Resources	Significant Significant Significant Significant Significant	N/A	N/A	N/A	N/A	N/A	A review of the control framework during the design and implementation of a new Finance system, including Accounts Payable, Accounts Receivable and General Ledger. Series of Memos and advice issued during the course of the review. The process was evolving throughout the consultancy audit work and suggested amendments were discussed and actioned within the review period. An overarching report will be produced detailing the work undertaken.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as high level governance reviews.							
Annual Governance Statement Review	All	COMPLETED. Presented as draft to Audit Committee on 29 June 2015 and final agreed by Audit Committee on 21 September 2015						
Annual Audit Opinion / Progress Report	All	COMPLETED. Presented to Audit Committee on 29 June 2015. Progress report presented to Audit Committee on 9 November 2015						
Internal Audit Effectiveness / Audit Committee Effectiveness	All	COMPLETED. Presented to Audit Committee on 29 June 2015						
Investigations Team Annual Report	All	COMPLETED. Presented to Audit Committee on 29 June 2015						
Annual Audit Plan	All	COMPLETED. Presented to Audit Committee on 21 March 2016						
Anti-Fraud Culture	All	NFI Initiative – on-going review of data matches and liaison with 3 rd parties where appropriate. Further data matches were released during the year for investigation. Additional work was undertaken by internal audit than previously planned due to restructure of the investigations team – COMPLETED Various memos were produced as appropriate to address the findings of the data matching exercise. Separate information is also provided in the Annual Fraud Report. (see Committee Agenda) Liaison with the Investigations Team and evaluation of controls resulting from frauds ongoing						
Assurance Framework	All	IN PROGRESS. Work is being undertaken in conjunction with the Governance Department in producing a Governance and Assurance Framework.						
Partnership Governance	Serco / Resources	Deferred at the request of the Service Director due to structural changes within the organisation. The review has been agreed to roll forward into 2016/17.						
Corporate Fraud Strategy and Development	All	Anti-Fraud and Corruption Strategy, Fraud Response Plan, Prosecutions and Sanctions Policy. IN PROGRESS - A baseline assessment has been undertaken against the Code of Practice on Fraud and Corruption. An action plan has been identified and will be put in place in the future.						
Working Groups	All	Audit activities undertaken as part of working parties providing advice or acting as a critical friend.						
Information Governance	All	Liaison and strategic overview as part of the Strategic Governance Board, Information Governance Group and liaison with the Compliance Team, Governance – COMPLETED						
Risk Management	All	Attendance at Risk Working Group. COMPLETED						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Connecting Families-Phase 2	People	Significant	N/A	N/A	N/A	N/A	N/A	A review of the Connecting Families Outcome Plan as part of the phase 2 of the programme. – FINAL
Carbon Reduction	Growth and Regeneration	Significant	0	0	1	4	5	Review the arrangements for CRC reporting as a result of legislative changes and data validity. FINAL
Clare Lodge	People and Communities	Significant	0	0	3	0	3	A review of income arrangements to ensure that processes maximise receipts. – IN DRAFT
Commissioning and Procurement	People and Communities							Review new commissioning procedures, to include a look at whether all aspects of financial accountability / procurement have been appropriately incorporated into the new people and communities directorate. – IN PROGRESS
Better Care Fund	People and Communities							Review governance and risk management arrangements for the Better Care Fund pooled budgets. – Replaced with prioritised unplanned audit work. Elements of the review will be incorporated into planned 2016/17 reviews.
Care Act Compliance	People and Communities							Review of policy arrangements to ensure they are Care Act compliant and reflect working arrangements. – Replaced with prioritised unplanned audit work. Elements of the review will be incorporated into planned 2016/17 reviews.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Regulatory Services	Governance							A review of governance and process arrangements within Regulatory Services following reorganisation, Including outcomes for the customer experience. – Originally identified as a Management Request. Discussions identified as no longer required.
Coroner's Office	Governance							Review of support services processes as a result of proposed centralisation of coroner's services. To also include a general review of allowances. – Initially deferred at service request and put on hold pending other audit activities.
Schools	People and Communities	Review of financial and governance arrangements in a selection of schools						
Castor Primary – payroll f/up	People and Communities	Significant	0	0	1	2	3	Most recommendations had been implemented with a good demonstration of segregation of duties. FINAL
Winyates Primary	People and Communities							In Progress
Schools - Health and Safety Statutory Testing	Resources	Limited	0	1	2	2	5	A themed review across school establishments to ensure robust processes are in place to ensure that statutory requirements are met. IN DRAFT
Schools – Gifts and Hospitality	People and Communities	Significant	0	0	5	3	8	Review the effectiveness and implementation of the recently introduced schools gifts and hospitality policy. A themed review across school establishments. – IN DRAFT

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Statutory Compliance Testing (Unplanned – c/fwd)	Resources	Limited	0	2	5	0	7	A review across establishments to ensure robust processes are in place to ensure that statutory requirements are met – FINAL Executive Summary reported to Audit Committee June 2016.
Cash Handling (Unplanned)	People and Communities / Resources							Investigation into cash handling and establishment procedures. Investigation is on-going with an external body. An internal audit report to be issued upon finalisation of the investigation. ON-GOING
Blue Badges (unplanned)	Governance / Resources	Significant	0	0	2	0	2	Additional audit work was undertaken as a result of a significant number of queries arising from the NFI Data. Matching Exercise. Scope included: <ul style="list-style-type: none"> • Eligibility of applications • Collection of badges • Documentation held in BBIS and info@work. FINAL
Local Offer (Unplanned)	People and Communities / Governance							Service request to undertake an independent self-assessment of PCC's approach to the Open Offer Scheme using the recommended toolkit and feed into an action plan for improvements as appropriate. - ONGOING
Concessionary Bus Passes (unplanned)	Growth and Regeneration	Significant	N/A	N/A	N/A	N/A	N/A	Additional audit work was undertaken as a result of a significant number of queries arising from the NFI Data. Information was provided by Internal Audit to enable system data to be validated. Follow on work undertaken by Internal Audit confirmed corrective action and new controls had been implemented. - FINAL

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Resources - RECAP	Resources							Review the project management of the expanding Material Recycling Facility. Possibility for a joint audit with our shared service partners. Review with other authorities was deemed not to be required in the current year.
Data Security – Mobile / Technology	Resources							Review the control of data security on mobile/remote technology and the proposed move to cloud based servers. Alternative mobile device audit/consultancy work undertaken, see Mobile consultancy, FOI memos.
IT Strategy	Resources							A review of selected projects which support and form part of the overall IT Digital Strategy – On hold due to an external review being undertaken. This will be revisited in 2016/17 post external review.
Pensions	Governance							A review to ensure that tier bandings have been applied appropriately following pension changes in April 2014. – IN PROGRESS
Strategic Housing	People and Communities							A review of governance and process arrangements within Strategic Housing to include consideration for outcomes such as the customer experience. – Replaced with prioritised unplanned audit work.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
Projects	All	Reviews of project framework or specific projects, either across the life of a project or concentrating on particular stages such as governance, feasibility, delivery or post-implementation review						
Capital Project Management	Resources							Act as a critical friend during the implementation of a project management governance framework. – IN PROGRESS
Value For Money Reviews	All							To be undertaken subject to resources. Not undertaken during the year.

EXTERNAL WORKS	Work which generates income for the council
Vivacity	4 rolled forward reviews completed 8 reviews completed 2 reviews in progress

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
GRANT CLAIM CERTIFICATION	Certification of claims in relation to UK and European funding requirements							
Bus Service Operators 2014/15	Growth and Regeneration	Certified	A grant to support bus services, including community transport services.					
Local Transport Funding Grant 2014/15.	Growth and Regeneration	Certified	This grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks.					
Local Transport Funding – Additional Highways Grant	Growth and Regeneration	Certified	A grant to support local authorities in funding capital costs for integrated transport measures and highway maintenance schemes.					
Pinch Point Grant 2014/15	Growth and Regeneration	Certified	A fund to help local authorities keep traffic moving and remove bottlenecks on the local highways network.					
Severe Weather Grant 2014/15	Growth and Regeneration	Certified	A scheme to support local authorities with costs in dealing with pothole repairs.					
Local Sustainable Transport Grant	Growth and Regeneration	Certified	A scheme to help local authorities to cut carbon emissions and create local growth.					
Heritage Woodland in Action	Growth and Regeneration	No further action	A grant to support the restoration of ancient urban woodland. – Confirmation that Internal Audit certification is no longer required. No further action					
Disabled Facilities Grant 2014/15	People and Communities	Certified	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.					
Troubled Families	People and Communities	Certified	Results based funding to support families meeting certain criteria.					

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.							
Carry Forward Provision	Provision for the completion of 2014-15 audits							
Budgetary Control	People and Communities	Significant	0	0	3	0	3	FINAL - An overall assurance can be given on the processes in place to manage Adult Social Care and Health & Wellbeing budgets, including the monitoring of savings.
Liquid Logic IT system	Governance	Significant	0	0	1	1	2	FINAL - The granting of access and change of access for staff/users to either LCS or EHM is considered to be well controlled.
Payroll Overpayments follow up	Serco / Resources	Significant	0	0	3	1	4	FINAL – Outstanding balances were found to have reduced since the previous review, however there were still some areas where Managers were slow to advise of staffing changes.
Travel and Subsistence follow up	Serco / Resources	N/A	N/A	N/A	N/A	N/A	N/A	MEMO ISSUED – All previous recommendations had been implemented
Translation Services follow up	People and Communities	N/A	N/A	N/A	N/A	N/A	N/A	A review of supplier payments in relation to translation and interpretation services. MEMO ISSUED
Petty Cash – St Georges	People and Communities	Limited	0	3	3	3	9	DRAFT ISSUED awaiting response
Petty Cash – Childrens Services	People and Communities	Limited	0	9	7	8	24	DRAFT ISSUED awaiting response
Fuel Cards	Serco / Resources	Limited	0	1	6	2	9	DRAFT ISSUED awaiting response

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.							
Carry Forward Provision	Provision for the completion of 2014-15 audits							
School C	People and Communities	No Assurance	0	14	10	4	28	FINAL –Executive Summary reported to Audit Committee November 2015
Mobile Phones – Value For Money Review`	All	Limited	0	6	9	3	18	FINAL REPORT AND MEMOS issued. Executive Summary reported to Audit Committee June 2016.
Follow–up Provision:	Revisiting audits after 6 months to monitor the implementation of recommendations							
Frameworki – follow up	People and Communities	N/A	N/A	N/A	N/A	N/A	N/A	COMPLETE – Limitations within the system have restricted the implementation of recommendations. Management have introduced mitigating controls.
Electronic Call monitoring follow up	People and Communities	N/A	N/A	N/A	N/A	N/A	N/A	MEMO ISSUED - A change in focus since the original report was issued to outcome based monitoring of care services delivery means that use of the ECM system is no longer considered mandatory.
Parking Services follow up	Governance							In progress
Quality Assurance in Children's Services Follow up	People and Communities	N/A	N/A	N/A	N/A	N/A	N/A	MEMO ISSUED – All recommendations had been implemented.

AUDIT ACTIVITY	Department	COMMENTARY
Provision for unplanned activities:	Internal Audit provides control and risk advice to officers/management/members as a result of changing risks. This audit activity covers review work that is additional and was not specified as part of the original audit plan	
The Beeches Primary School	People and Communities	Control advice in relation to procedures for purchasing cards. COMPLETE
Care Services Complaint	People and Communities / Governance	A joint exercise undertaken. Audit activities included review of electronic call monitoring information, invoicing along with information within the care management system for a specific supplier and service user. COMPLETE
School A	People and Communities / Resources	Investigation into allegations of inappropriate spending. Undertaken jointly with fraud team. Investigation is on-going with an external body. ON-GOING
School B	People and Communities / Resources	Assistance provided to an external organisation as a result of internal audit activities historically undertaken. COMPLETE
Parking Charges PCN's	Governance	Management request – A review of cancellation processes. Memo issued. COMPLETE
Mobile Phone Usage	People and Communities	Management request for data analysis in relation to specific users. COMPLETE
Mobile Phone - FOI	Governance	Management request for data analysis in relation to a FOI in relation to Councillors mobile phone usage and expenditure. COMPLETE
Mobile Phone Invoicing and Portal Information	Governance	Consultancy advice regarding mobile phone data and reporting information via the telephone supplier portal. COMPLETE
Schools	Resources	Advice on selling unwanted items. Guidance on the use of purchasing cards. Control guidance with regards to segregation of processes for BACs payments COMPLETE
Procurement	Resources	Guidance and advice regarding Supplierforce Guidance and advice regarding a supplier in Liquidation COMPLETE
Carer Payments	People and Communities / Resources / Serco	A review of processes following the delay of a payment run. COMPLETE

7. **AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

	AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
1.	School C	Limited	09 November 2015
2.	Statutory Compliance Testing	Limited	29 June 2016
3.	Mobile Phones	Limited	29 June 2016

Audit Title 1	Statutory Testing
Objectives	The purpose of the audit was to review processes and procedures to establish whether statutory required controls are in place for the identification, undertaking, documenting and performance monitoring of statutory asset testing
Findings	<ul style="list-style-type: none"> • Little evidence was found to suggest the statutory testing programme is being actively or adequately managed. It is clear Amey are responsible for the delivery of the programme and Serco for the management and reporting on delivery, however this is not the case regarding who within Peterborough City Council is responsible for overseeing the Amey/Serco relationship ensuring the programme is delivered on a daily basis. • The Property Masterfile (PDM08) has not been regularly maintained and Technology Forge does not hold all current test documentation. Both situations make it difficult to establish and confirm whether the testing programme is being delivered. • Issues were identified around charging where it was found that PCC have been charged in excess of £19,000 for tests that could not be evidenced by supporting documentation and so it was unclear whether or not the testing had been delivered. Similarly it was found that PCC had been charged £1,066 for tests carried out at two sites where the testing had been done by independent contractors and payment had been made locally by the sites.
Opinion and Conclusions	<p>The audit reviewed statutory testing at a sample of local authority sites, during the audit a number of control issues around delivery, performance and monitoring of the programme were identified. Evidence was found during the audit to suggest that statutory testing is being undertaken within Peterborough City Council however, approximately 6% (15 out of 262) of the test population could not be evidenced and so it was unclear whether or not the testing had been completed. It is our view that until the delivery and performance improve and the monitoring role is filled there continues to be a risk that PCC is not meeting their statutory responsibility.</p> <p>As a result of the issues found during this review the decision was taken to include a Statutory Asset Testing audit across a number of schools as part of the 2015/16 audit plan.</p> <p>Limited Assurance</p>
Audit Title 2	Mobile Phone Utilisation

Objectives	<p>The purpose of the audit was to establish whether mobile phones are being utilised in the most cost effective way.</p> <p>The scope covered:</p> <ul style="list-style-type: none"> • Efficiency in the use of the T-Mobile contract (including periods with no usage, call recipients, and officers with multiple devices which perform the same function) • Personal usage, and whether this is declared and paid for
Findings	<ul style="list-style-type: none"> • When a T-Mobile SIM has been activated, the City Council is tied into a 36 month minimum contract from the date of activation. Applications for devices are made via an ICT helpdesk call. Although Serco generally require a second officer to approve the application, this is not always the budget holder. It is understood that Serco explain the minimum contract term when a quotation is sought, but there is no explicit acceptance of the term by the budget holder, and therefore there is a risk that budget holders are unaware that the costs are committed to their budget for this term. • No central monitoring takes place to ensure that devices are being used sufficiently to justify having them; that officers only have the devices that they actually need; and that personal usage is being declared and paid for. This responsibility is left to departmental managers. However the billing information provided to managers is not sufficient to allow any meaningful monitoring • Each directorate has at least one Mobile Phone Administrator (MPA). However the scope of this role has not been formally agreed, and MPAs' understanding of their role does not match that expected by Strategic Commissioning / Transformation and Serco ICT • Analysis found that 51.6% of phones allocated to PCC billing units had either no, or de minimis, chargeable use between a six month period. Bills for 27 out of 29 laptop dongles showed no evidence of 3G internet browsing over the same period. This calls into question whether devices are genuinely needed. • 73 officers had declared personal usage in the T-Mobile portal for a six month period totalling £856, but examination of Oracle budget codes could only identify payments from 20 of these officers, totalling £278 (32.5%). • 33.2% of City Council phone users have not been granted access to the T-Mobile portal, and thus cannot check their bills, or declare and quantify personal usage. • Analysis of bills found evidence of some premium rate numbers, international usage, picture text messages, and significant usage during unsocial hours, all of which may be indicators of undeclared personal usage. 280 different phone numbers were identified which had been contacted overnight at least once during a one month period from corporate T-Mobile numbers. If extrapolated, the estimated annual cost of calls to those numbers would be in the region of £7000.

<p>Conclusions</p>	<p>Lack of central monitoring means that the City Council cannot form a holistic view of device usage, or identify areas of non-compliance. It is important that key roles and responsibilities are agreed, documented, and circulated, and that budget holders are provided with sufficient information to allow them to challenge the use or non-use of devices within their teams.</p> <p>Audit testing and analysis suggest that for a significant proportion of its SIM devices on T-Mobile contracts, the City Council may not be getting VFM. This is not because contract terms seem unfavourable, but because billing analysis indicates these devices do not seem to be used sufficiently to justify having them. However, it may be that some of these devices are being used predominantly for purposes that would not result in bill entries (e.g. incoming calls and Wi-Fi internet browsing), and this could affect management's opinion on whether each device is providing VFM. Some officers have multiple devices where there are duplication of functions, and a cheaper option might still have satisfied their needs. For example, 91 individuals have iPads and iPhones, but if the cheaper Nokia handset had been obtained in each case instead of an iPhone, the annual saving would have been approximately £11k across the authority. The minimum contract term commits each activated SIM to three years' worth of line rental charges, and early cancellation will require full payment of the remaining contract period. As the City Council's digital strategy unfolds, careful consideration will need to be given to the devices required by officers to ensure that value for money is obtained.</p> <p>Personal usage is permitted in the Mobile Phone Policy, on the proviso that any costs are reimbursed to the City Council. However this relies on the honesty of individuals, and also on sufficient administration within the T-Mobile portal. It is therefore a concern that a third of phone users cannot actually access the portal. Chargeable personal usage has been declared in the T-Mobile portal by some individuals, but it has not been possible to trace corresponding reimbursements for the majority of these. It is suspected there may be also significant undeclared personal usage, but this cannot easily be proven.</p> <p>Serco have recently re-let the contract. It is understood that line rental will be slightly higher than before, but domestic calls and texts will be free under the new contract. Foreign and premium rate usage will continue to be chargeable. New three year minimum contract terms began from the point of transfer. Where users' personal calls and texts are significant, HMRC may interpret this as a benefit-in-kind. Tax implications should be considered before deciding how personal usage should be administered under the new contract arrangements.</p> <p>Limited Assurance</p>
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