

APPENDIX A



**INTERNAL AUDIT MID-YEAR
PROGRESS REPORT 2019 / 2020
TO 30 SEPTEMBER 2019**

1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Committee up to date with progress made against the delivery of the 2019 / 2020 Internal Plan. The information included in the progress report will feed into and inform our overall opinion in the Annual Audit Opinion report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.2 Internal Audit use an assessment tool which allows us to continually assess risks and prioritise our work accordingly. As such, this report details the audits we plan to conduct, or which are underway, based on our current assessment of risk. Audits which are new have been highlighted in the table below. We will continue to appraise risk and refine our audit plans, therefore the audits listed in Appendix B that have yet to be started could be replaced if risk levels change.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, we look at the number and type of recommendations we make in each report and are summarised below:

AUDIT ASSURANCE OPINIONS	
Assurance	Definitions
Substantial	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There may be some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
Reasonable	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
Limited	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
No	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.

- 1.4 Should an audit report identify **LIMITED** or **NO** assurance, then as a matter of course those areas are followed up. Our work is carried out to assist in improving control. **However management is responsible for developing and maintaining an internal control framework.**
- 1.5 Our recommendations are graded, dependent on the severity of the findings, see below:

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

2. **EXTERNAL WORK and OTHER DUTIES**

- 2.1 Internal Audit provides audit services to the Combined Authority. Our annual plan allocated 150 days to such work, and to date 54 days have been provided from the plan. These reviews are client confidential and reports are only available to the Combined Authority. The work that we carry out for the Combined Authority is chargeable to them through a Service Level Agreement.
- 2.2 Internal Audit also provides audit services to Vivacity–Peterborough which is managed through a Service Level Agreement. The contract arrangements have been operational since 2010 and the work we carry out is chargeable to Vivacity. These reviews are client confidential and as a result their outcomes are only available to Vivacity. The original plan includes 60 days for this work which included some rolled forward days from the previous year. To date 19 days have been utilised.
- 2.3 The Chief Internal Auditor (CIA) also is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council, and separate reports are provided to the Audit Committee for these areas. The CIA also undertakes any Stage 2 Corporate Complaint reviews, as deemed appropriate.

2.4 Some audit staff also support the organisation during the election process. Additional days have been encountered to date than previously planned due to the increased activity from the By and European Elections.

3. **RESOURCES**

3.1 The 2019 / 2020 plan was compiled on the basis of an in house team with an establishment of 6.1 full time equivalent staff (FTE). Within that establishment figure the Chief Internal Auditor (CIA) also has responsibilities for Investigations, Insurance and Complaints. Management of these activities included within the plan equated to just over 0.5 FTE bringing direct audit time to 5.6 FTE. One full time Senior Auditor post was vacant at the time of producing the plan, leaving 4.6 FTE resource, and therefore the original plan highlighted those audits that would not be achievable if the vacancy was not filled.

3.2 At this point in the year the Senior Auditor post remains vacant. However, a recruitment process has been undertaken resulting in the post being filled from 28 October. This brings the FTE for the year, for staff in post, to 5.1 FTE (excluding the CIA's other areas of responsibility).

3.3 The revised plan, detailed in Appendix B below, continues to highlight those audits that are not achievable within the currently available resource levels.

4. **PERFORMANCE and OUTPUTS**

4.1 A detailed commentary of the progress of the 2019 / 2020 Annual Plan is documented at **Appendix B**. The table below gives a summary of the status of all audit projects. The figures for the 'current plan' include the additional resources mentioned in 3.2. As the plan continues to be prioritised on an ongoing basis these figures may be subject to change.

	Peterborough CC	Combined Authority	Vivacity	TOTAL
Planned Activity				
Original Plan	41	11	8	60
Actual Activity				
Complete	21	2	0	23
In Progress	19	2	4	25
Yet to do	18	7	4	32
Current Plan	58	11	8	77

- 4.2 As stated in 3.2 the annual plan has been based on resources of 6.1FTE. This includes activities also undertaken on behalf of The Cambridgeshire and Peterborough Combined Authority (CPCA), Vivacity as well as other areas that the CIA has management responsibility for. A breakdown of how time has been spent as of 30 September 2019 is detailed in the table below. These percentages will be subject to change during the second part of the year due to the planned timings of audit activities for PCC and external entities.

	No. of posts	Planned	Total in post for 2019/20 to date	Audit Work PCC	Audit Work other entities	Non-Audit Work *
	Posts	FTE	FTE	%	%	%
Chief Internal Auditor	1.0	1.00	1.00	24%	34%	42%
Group Auditor	2.0	1.57	1.57	68%	28%	4%
Principal Auditor	1.0	0.50	0.50	100%	-	-
Senior Auditor	1.0	1.00	1.00	84%	16%	-
Senior Auditor (vacant)	1.0	1.00	-	-	-	-
Auditor	1.0	1.00	1.00	96%	-	4%
TOTAL	7.0	6.07	5.07	74%	16%	10%

- 4.3 There has been significant additional work carried out, compared to that originally planned, in the areas listed below. Further details on these specific audit areas can be found in Appendix B.
- Northminster MSCP: Closure Review
 - Energy management
 - Some additional Grant work not previously advised
- 4.4 Whilst there are some reports presently in draft, there have been no finalised reports with a **LIMITED** or **NO** assurance rating to date. Audit Committee will be advised of any future reports falling within these categories as part of the audit committee timetable.
- 4.5 It is too early in the audit year to provide an opinion on the internal controls operating across the Council that have been subject to audit from the 2019 / 2020 audit plans. There are no significant issues to be brought to the Committee's attention at this time.

- 4.6 Responses to audit reports - We aim to turn a draft into a final within 28 days, and provide a target date for response, as well as reminders. Generally this figure is reflective of the fact that, with reduced officer numbers, operational activities take priority over audit reports. As a number of reviews are presently in progress and grant certification work is target date driven there are no major issues in achieving this target in the first six months. However there are two reports that await finalisation from 2018/19 as follows:

Audit	Directorate	Date Draft issued
Savings Targets	Resources	24 April 2019
Procurement Cards	Resources	4 April 2019

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

Where audits are “shaded”, these represent those jobs not started at 31 October 2019.

AUDIT ACTIVITY	COMMENTARY
AUDIT ACTIVITIES Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
Annual Audit Opinion	Completed Annual Opinion 2018 / 2019 presented to Audit Committee on 15 July 2019.
Annual Governance Statement Review	Completed Verification of (but not production of) analysed results highlighted for inclusion in the final AGS report to include comparison with the Local Code of Governance. Annual Governance Statement 2018 / 2019 presented to Audit Committee on 15 July 2019.
Annual Investigations Report	Completed Annual Report 2018 / 2019 presented to Audit Committee on 15 July 2019.
Mid-Year Audit Progress Report	Completed Annual Audit Progress Report 2019 /2020 being presented to Audit Committee at this meeting, on 18 November 2019.
Internal Audit Effectiveness	On-going On-going monitoring, review and update against the PSIAS standards and associated action plan.
Information Governance	Ongoing Attendance at the Information Management Strategic Board, a shared arrangement with PCC and CCC.
Risk Management	Ongoing

	Chief Internal Auditor is a member of the Risk Management Board which meets on a monthly basis and reviews all departmental risk registers and the corporate risks which are held on Verto. Escalation processes are in place to refer departmental risks through to CMT. Regular reports are provided to Audit Committee (last agenda item September 2019).
AUDIT ACTIVITY	COMMENTARY
AUDIT ACTIVITIES	
Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
National Fraud Initiative	<p>In Progress</p> <p>13 datasets extracts matched by the Cabinet Office have produced 6,106 matches (of which 3,757 relate to creditors) and work is nearing completion. Matches are prioritised in terms of risk and accuracy of match with audit activities focussing on data quality and risk. Example findings to date have highlighted:</p> <ul style="list-style-type: none"> • Duplicate creditors have been identified through a number of matches. This has resulted in the identification of two duplicate payments totalling £1,989-90 which are in the process of being recovered; • Single person discount compared to the electoral register has identified a total of £6,935-30 to date and steps are being taken by Council Tax to recover; • Concessionary travel pass matches identify where a recipient has died and the travel pass could still be in circulation. A notional value £24 is placed on a pass where this occurs as a 'potential risk of loss' which has highlighted a total value of £14,136 for PCC. • Blue Badge matches relate to 132 cases where the recipient has died and the badge could still be in circulation, along with 2 cases badges having been issued at two different local authorities. While the Council records have been updated we are awaiting confirmation with the section that administers the scheme to establish whether each permit has been recovered or are in the process of being recovered.
Fraud/Compliance activities	<p>To commence quarter 4</p> <ul style="list-style-type: none"> • Update corporate fraud policies, such as: Anti-Fraud and Corruption Policy; Whistleblowing Policy; Sanctions Policy. • Raising awareness of fraud risks • Investigations into alleged fraud or irregular activity, as required.
Annual Audit Planning	<p>To commence quarter 3</p> <p>Establishment of the future plans for 2012 / 2021, including a review of the Strategy, Charter and Code of Ethics and a pre-planning report on emerging themes⁸</p>

AUDIT ACTIVITY	Department	COMMENTARY
<p>OTHER RESOURCE PROVISION</p> <p>Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.</p>		
<p>CARRY FORWARD ACTIVITIES</p>		
Procurement Card System	Resources	<p>Report to be finalised</p> <p>Provision of guidance on the control environment throughout the implementation phase of BSM.</p> <p>There are 2 high and 3 medium priority recommendations. The opinion is Limited. A key finding is the inconsistent approach across the council as to who cardholders should be with GPCs reasonably evenly distributed between junior officers, junior/middle management, and senior management.</p>
Savings Targets	Resources	<p>Report to be finalised</p> <p>A review of the process for identifying and tracking the delivery of savings.</p> <p>There are 5 high, 4 medium and 1 low recommendations. The control design opinion is Reasonable with the control compliance opinion being Limited.</p>
Contract Tendering	Resources	<p>In Progress</p> <p>Compilation of an assurance framework identifying ownership for controls in place to mitigate risks, and highlighting any gaps.</p>
0-25 Disabilities Service in Peterborough and Cambridge (Unplanned)	People and Communities	<p>Report to be finalised</p> <p>This audit covered a review of the service across both Peterborough and Cambridgeshire Councils (carried out as two separate jobs). Details here relate to Peterborough only.</p> <p>There are 4 medium and 3 low priority recommendations. The audit opinion is Reasonable.</p>

AUDIT ACTIVITY	Department	COMMENTARY
<p>OTHER RESOURCE PROVISION (Continued)</p> <p>Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.</p>		
<p>CARRY FORWARD ACTIVITIES</p>		
<p>Gifts and Hospitality</p>	<p>Law and Governance</p>	<p>Complete</p> <p>Covering the processes in place to protect against 'insider threat' aspects of the Serious Organised Crime report. There are 3 medium and 1 low recommendations. The audit opinion is Reasonable.</p> <p>It was found that Gift and Hospitality registers are in place for staff, members and the Mayor. It was found only a few records of hospitality or gifts have been approved and recorded and recommendations include increasing awareness at potential peak times such as Christmas to ensure declarations are made where appropriate.</p>
<p>Transition of Amey contract to Council LATCo</p>	<p>Growth and Regeneration</p>	<p>In Draft</p> <p>The management of the project to ensure the desired outputs are achieved. There are 4 high recommendations and the audit opinion is No Assurance.</p>
<p>Taxi Licensing</p>	<p>People and Communities</p>	<p>Complete</p> <p>Covering the process for issuing taxi licenses, including safeguarding arrangements, in accordance with the Serious Organised Crime Pilot. There are 3 low recommendations and the audit opinion is Substantial.</p>

AUDIT ACTIVITY	Department	COMMENTARY
<p>OTHER RESOURCE PROVISION</p> <p>Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.</p>		
<p>CONSULTANCY ADVICE</p>		
ESPO	Resources	<p>Complete</p> <p>Consultancy advice on the specification for the audit Espo framework</p>
<p>FOLLOW UP PROVISION</p>		
Information Governance and GDPR	Governance	<p>Complete</p> <p>The previous report highlighted 17 recommendations for action with a Reasonable audit opinion. Follow up review work has found that 11 recommendations have been implemented, 4 alternative actions have been introduced and 2 recommendations are in the process of being actioned.</p>
Peterborough Investment Partnership	Resources	<p>Complete</p> <p>All 3 recommendations have been implemented.</p>

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
CERTIFICATION Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.			
Disabled Facilities	P&C	Certified	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Bus Service Operators	G&R	Certified	A DfT grant to support bus services, including community transport services.
Integrated Transport Grant	G&R	Certified	A DfT scheme via the CPCA to help local authorities cut carbon emissions and create local growth.
Highways Maintenance	G&R	Certified	A DfT grant via the CPCA. 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
Pothole Action Fund	G&R	Certified	A capital funded DfT grant via the CPCA to support pothole repairs.
National Productivity Investment Fund	G&R	Certified	DfT funding via the CPCA for 2018/19 to improve local road networks and public transport.
Local Transport Capital Funding	G&R	Certified	An additional highways grant from the DfT (non CPCA) to support highways maintenance.
Connecting Families	G&R	Ongoing	A payments by results scheme from MHCLG. Claims are made monthly and there is a requirement to verify 10% of these. We are also required to review the Outcome's Plan, which describes how the Council will apply the qualification and success criteria. There is a significant increase in the number of claims being submitted as the scheme is nearing its conclusion.
Carbon Reduction Commitment	G&R	Certified	A requirement from the Environment Agency to verify the Council's submission of annual energy usage figures.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
CERTIFICATION (Continued) Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.			
Hampton Hargate School NCTL NEW	P&C	Certified	Various funding streams received from the DfE to support establishments with teaching school status.
The Pheonix School NCTL NEW	P&C	Certified	Various funding streams received from the DfE to support establishments with teaching school status.
Mayor's Charities Fund	Governance	Certified	The accounts maintained in relation to fund-raising for the Mayor's Charities in 2018 / 2019 have been audited in line with the Charity Commission requirements. Following the review of the accounting statements for 2017/18 a number of recommendations (20) were made to support the record management process moving forward for the charity. Progress against the implementation of recommendations will be reported independently of the certification work undertaken.

EXTERNAL WORKS	Work which generates income for the council
Combined Authority	1 unplanned and 1 planned review completed. 1 planned and 1 unplanned review is in progress. 2 reviews that were in progress from 2018/19 have been completed. 9 further pieces of work are still due to commence.
Vivacity	2 18/19 reviews have been completed and 4 reviews are in progress from a plan of 8 8 reviews.

AUDIT ACTIVITY	Department	Priority	COMMENTARY
Prioritised Audits for Review The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
Section 1 – Audits achievable with planned resources			
Peterborough Ltd / LATCo	GAR	H	A review of various services in the first year of operation which could include - Statutory Testing, Information Governance (GDPR), Income Recognition (Accounts Receivables) and HR Processes
Shareholder Cabinet Committee	Various	H	Governance arrangements relating to the new shareholder cabinet committee responsible for overseeing Peterborough Limited and the organisations other activities such as partnerships and charities.
Financial Resilience / Budgetary Control	Various	H	An ongoing review of the savings targets identified in the MTFs and selected projects to ensure on target. / Budgetary Control arrangements for a specified service
Northminster MSCP: Closure Review NEW	Resources/G&R	H	In Progress A review of the repair and maintenance regime within the car park
Cyber Attack – August 2019 NEW	Resources	H	In Progress A review of the controls following an attempt to defraud PCC by changing bank account details on intercepted invoices following a hacking event.
ASC – Fraudulent Cheques NEW	People and Communities	H	In Progress A review of bank and cheque security arrangements of the ASC bank account following the presentation of fraudulent cheques for payment
Armed Forces Committee	Governance	H	In Progress Provide governance advice following concerns raised about the Armed Forces Day sub-committee activities and income.

AUDIT ACTIVITY	Department	Priority	COMMENTARY
Prioritised Audits for Review			
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
Section 1 – Audits achievable with planned resources (Continued)			
Contract Management	Various	H	A governance review of the overarching policies and processes to manage contracts.
Community Infrastructure Levy	G&R	H	A review of governance approval processes and how financial contributions ensure delivery of scheme requirements
Programme Management Office	Resources	H	A review of programme management and adherence to best practice – Programmed for Quarter 4
Disabled Facilities	P&C	H	Complete Evaluation of new in-house system processes. Memo issued – Substantial Assurance
Partnerships / Contracts	Various	H	A review of a contract/partnership management or open book review of specific contracts, for example: Serco IT
Projects	Various	H	Reviews of specific projects to ensure appropriate business cases have been made and that they are being managed effectively. This may also include a look at business benefits realisations. For example Office 365 Implementation, Asset Management.
			In progress A post implementation review of the Family Safeguarding project.
Health and Safety	Various	H	Health and Safety arrangements to include action plan progress from previous health and safety reviews along with arrangements for multi-occupancy buildings.

AUDIT ACTIVITY	Department	Priority	COMMENTARY
Prioritised Audits for Review			
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
Section 1 – Audits achievable with planned resources (Continued)			
Business Continuity	All	H	Review of departmental business continuity arrangements to include Agile Working
Cyber Security	Resources	H	IT security arrangements – Cyber Security Stocktake Action Plan and DSP Toolkit evaluation
Apprenticeship Scheme	CEx	H	In progress Arrangements for governing and administering the apprenticeship levy scheme
Clare Lodge	P&C	H	Review of procurement and contracting arrangements – Programmed to Commence in quarter 4
Energy Management	G&R / RES	H	In progress A review of processes in place for managing our energy costs, including contractual arrangements, data collation and monitoring and payment of invoices
Schools	P&C	H	Themed reviews to include Procurement and Statutory Testing. Reviews of specific schools will be determined on a risk basis throughout the year.
Liquid Logic	P&C	H	In Progress Project review of the new finance module and Agresso interface processes
Lone Working Arrangements	P&C/All	H	In Progress A review of policy arrangements across PCC and CCC.
Shared Services	P&C, G&R	H	Review of cross authority charging arrangements for PCC/CCC and Fenland / Appointment of agency/consultancy staff PCC/CCC
Disaster Recovery	Resources/All	H	This will cover Serco ICT arrangements in the event of disaster recovery.

AUDIT ACTIVITY	Department	Priority	COMMENTARY
Prioritised Audits for Review			
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.			
Section 2 – Audits not achievable with planned resources			
Brexit	All	H	Emerging issues from working group. Changes to recruitment rules / staff resilience
Homelessness	P&C, G&R	H	Review of governance arrangements and processes for housing growth planning strategy and homelessness demand.
Joint Venture	G&R	H	Medesham Homes - Governance arrangements and strategy of the joint venture with Cross Keys to include project delivery.
Information Governance	G&R	H	GDPR compliance and follow up activities / Data Sharing
Think Communities	P&C	H	To provide advice on evolving projects
Assurance Frameworks	P&C	M	Mapping of controls to assurances based on the Three Lines of Defence model. Designed to feed into the annual audit opinion and to drive future Internal Audit work where appropriate. During 2019/20 the aim is to cover Safeguarding (collaboration with CCC Internal Audit)
Risk Management	Resources	M	Evaluation of Board arrangements and Strategy effectiveness
Payroll	Resources	M	Review of processes to ensure effective controls are in place to ascertain the integrity of pay transactions.
Council Tax	Governance	M	Arrangements to ensure all income due is identified, billed and recovered.
Member Support	Resources	M	Processes for member training / mayoral selection
Occupational Health	Resources	M	A review of management reporting information to support the attendance management policy process

This page is intentionally left blank