

APPENDIX A



**INTERNAL AUDIT MID-YEAR
PROGRESS REPORT 2020/ 2021
TO 30 SEPTEMBER 2020**

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 2020 / 2021 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.

- 1.5 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.**
- 1.6 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 IMPACT of COVID-19 and REVISED PLANS

- 2.1 Following the outbreak of the Covid-19 pandemic in late March 2020, Internal Audit introduced a strategy setting our priorities and how we would contribute to the Council response. Work on the 2020 / 21 plan was suspended; however we prioritised external fee paying work and time bound internal work (such as grant certifications) while waiting for information on volunteering opportunities. We also contacted senior management directly offering our skills to areas of the Council that required backfilling due to the emergency response, resulting in provision of support to the Education Finance team.
- 2.2 The original Annual Audit plan for 2020 / 21 was produced in line with the normal Audit Committee timetable, and was to be presented at the March meeting. However, this meeting was cancelled, as we know, due to the lockdown requirements. A revised plan was eventually submitted to the July meeting, convened under the new legislation allowing for remotely held committee meetings.
- 2.2 Due to the timing of the revised plan, we were able to build in what we already knew about the impact of the pandemic on both the Internal Audit team and the council as a whole. During the initial months of the pandemic we researched and documented the numerous changes to working practices that supported staff to be able to work from home and enabled the Council to provide additional services. We used this to

inform our risk assessment and re-prioritised our plans accordingly. Directors and their management teams were also contacted for their input. The plan now provides a high degree of focus on activities that have been initiated in response to the pandemic, as well as business as usual processes that have changed. We were also able to account for the reduction in resources as team members volunteered to provide support to the Covid-19 Co-ordination Hub. This has taken the form of a temporary secondment for one member of the team, and a one-day-a-week arrangement for another.

- 2.3 A significant amount of time has been spent on government led initiatives to support the economy, the key one being Business Support Grants. Initial advice was given during the scheme set-up and work is now underway to provide assurance that payments have been in line with the criteria set. This work is being carried out under guidance from the Department of Business, Energy and Industrial Strategy and includes monthly reporting requirements and risk assessments until March 2021. We are also currently looking at the process for paying care homes under the Infection Control Grant funding and also the provision of food parcels by the Co-ordination Hub.
- 2.4 Another strand of work has been to provide assurance on financial transactions. Government has advised a relaxation in payment controls to enable speedier payments to businesses and the setting up of new suppliers and contracts. We are currently reviewing Purchasing Card transactions and also payment controls to provide assurance in these key areas of risk.
- 2.5 We have pursued the completion of the 2019 / 20 plan, although this has been delayed in some instances due to the need to reassign audits within the team and also because the availability of staff to respond to requests for information has been limited. Two audits have been finalised and we are working on the remaining two.
- 2.6 The plan attached at Appendix B remains the same as that presented to Audit Committee in July, except where additional unplanned work has arisen. However we will ensure the plan remains flexible, responding to risks as they arise and also to changes in resource levels if staff are re-deployed to other duties.

3. **EXTERNAL WORK and OTHER DUTIES**

- 3.1 Internal Audit has provided audit services to the Combined Authority for the past 2 years and this arrangement came to an end during 2020 with their new provider commencing in September 2020. We completed 5 audits in that time, three carried forward from 2019 / 20 and two from the 2020 / 21 plan. This work is chargeable to them under a Service Level Agreement. We do not include details in this report as the work is client confidential.
- 3.2 Since 2010, Internal Audit has also provided audit services to Vivacity–Peterborough under a Service Level Agreement (SLA). Due to the impact of the pandemic and the subsequent transfer of leisure and cultural activities into Peterborough Ltd and the City College, no audit work has been carried out this year under the SLA. We will, however, incorporate these areas into our universe of auditable areas within Peterborough City Council.

- 3.3 The Chief Internal Auditor also is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council (PCC), 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, and is a member of the Job Evaluation Panel.
- 3.4 Some audit staff normally support the organisation during the election process, however this has not happened this year.
- 3.5 To the end of Sept, 106 days have been provided in support of the Covid-19 Co-ordination Hub. These arrangements have, or are due to, come to an end. However, with the current surge in cases and the need to increase hub activities, the impact this may have on the audit team is uncertain.

4. **RESOURCES**

- 4.1 Internal Audit is an in house team with an establishment of 6.1 full time equivalent staff (FTE). The resource available to carry out PCC audit work is reduced as a result of the external audit work and other duties carried out (as described in section 2 above). The resultant resource equates to 4 FTE.
- 4.2 The table below shows the proportion of time spent to September 2020 on PCC audit work, external audit work and other duties and highlights how that impacts on the resource levels.

	Posts		Resources planned	Audit Work PCC	Audit Work external	Other duties (see section 2)	Total available for PCC audit work
	No.	FTE	FTE	%	%	%	FTE
Chief Internal Auditor	1.0	1.0	1.0	63%	13%	24%	0.63
Group Auditor	2.0	1.6	1.6	65%	14%	21%	1.04
Principal Auditor	1.0	0.5	0.4	63%	37%	-	0.26
Senior Auditor	2.0	2.0	2.0	54%	3%	43%	1.08
Auditor	1.0	1.0	1.0	100%	-	-	1.00
TOTAL	7.0	6.1	6.0	66%	9%	25%	4.01

- 4.3 Resources will be further reduced in the second half of the year, due to the resignation of one member of the team, a senior auditor. While it is not anticipated that this post will be filled this year, this will be kept under review because, as mentioned previously, there may also be a loss of staff time in the second half of the year in order to further support the Co-ordination Hub.
- 4.4 These reductions will be offset to some extent by the loss of the Combined Authority work. However, there has been an increase in audit coverage required due the creation of the wholly owned company, Aragon, and this will need to be absorbed into the reduced resource level.

5. **PERFORMANCE and OUTPUTS**

- 5.1 A total of 362 days has been delivered in total, including 44 days under our SLA with the Combined Authority, against a plan of 867 days. The number of days delivered is less than half the total planned for the year and this is due to additional time being spent in the Co-ordination Hub, and also the fact that more annual leave is taken during the summer months.
- 5.2 A detailed commentary of the progress of the 2020 / 2021 Annual Plan is documented at **Appendix B**. The table below gives a summary of the status of all audit projects. As the plan continues to be prioritised on an ongoing basis these figures may be subject to change.

	Peterborough CC	Combined Authority	TOTAL
Planned Activity			
Original Plan	47	25	72
Actual Activity			
Complete	23	5	28
In Progress	16	0	16
Yet to do	12	0	12
Current Plan	49	5	56

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- 5.3 There have been two finalised reports with a **LIMITED** assurance rating to date. The executive summaries of the IT Asset Management report and the Teacher's Pensions report is attached at **Appendix C**. Audit Committee will be advised of any future reports falling within these categories as part of the audit committee timetable.
- 5.4 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 2020 / 2021 audit plans. There are no significant issues to be brought to the Committee's attention at this time.

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

Where audits are “shaded”, these represent those jobs not started at 31 October 2020.

AUDIT ACTIVITY	COMMENTARY
Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
Annual Audit Opinion	Completed Annual Opinion 2019 / 2020 presented to Audit Committee on 13 July 2020.
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 2019 / 2020 presented to Audit Committee on 13 July 2020.
Annual Investigations Report	Completed Annual Report 2019 / 2020 presented to Audit Committee on 13 July 2020.
Mid-Year Audit Progress Report	Completed Annual Audit Progress Report 2019 /2020 being presented to Audit Committee at this meeting, on 16 November 2020.
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 Membership of the Risk Management Board which meets on a monthly basis and reviews all departmental risk registers. Includes development and maintenance of a new Covid-19 risk register. Risk registers are now being migrated on to new software – POWA in conjunction with County – and the Covid risks should now be being embedded across departments to improve ownership.

AUDIT ACTIVITY	COMMENTARY
Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
National Fraud Initiative	<p>In Progress</p> <p>To date, we have overseen the collection and data cleansing of the required data sets ready for submission to the NFI website run by the Cabinet Office. Data will be matched with that of other organisations, and reports highlighting potential fraud and error will be produced in February 2021. We will review and investigation those matches.</p> <p>(We have also used this medium to submit details of all Business Grants paid to increase the potential detection of fraud – see Business Support Grant).</p>
Fraud/Compliance activities	<p>In Progress/Completed</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 2021 / 2022, including a review of the Strategy, Charter and Code of Ethics and a pre-planning report on emerging themes.</p>

AUDIT ACTIVITY	COMMENTARY
Work which generates income for the council	
Combined Authority	5 pieces of planned work completed.

AUDIT ACTIVITY	Department	COMMENTARY
Consultancy Advice and Management requests		
Website Data Quality	People & Communities	<p>Complete</p> <p>Review of data quality and accessibility on the Adult Services webpage in readiness for legislative changes.</p>
Mosaic / Agresso Interface	People & Communities	<p>In progress</p> <p>Consultancy advice on the payment controls within Adult Services case management system, and its interface with Agresso.</p>
Mayor's Charities Fund 2019 / 20	Governance	<p>Completed – Certified</p> <p>Funds for this charity fell below the Charities Commission threshold in 2019 / 20 and therefore an audit under the regulations was not required. However, management requested a review of the accounts to provide assurance that they were accurate and complete prior to the release of funds to the nominated charities.</p>
Project and Programme Management	Business Improvement & Development	<p>In progress</p> <p>A request to provide control advice as a new methodology and system are developed for project and programme management.</p>

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
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	People & Communities	Certified	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Bus Service Operators	Place & Economy	Certified	A DfT grant to support bus services, including community transport services.
Integrated Transport Grant	Place & Economy	Certified	A DfT scheme via the CPCA to help local authorities cut carbon emissions and create local growth.
Highways Maintenance	Place & Economy	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	Place & Economy	Certified	A capital funded DfT grant via the CPCA to support pothole repairs.
National Productivity Investment Fund	Place & Economy	Certified	DfT funding via the CPCA for 2019/20 to improve local road networks and public transport.
Connecting Families	Place & Economy	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.
Peterborough Integrated Renewals Infrastructure	Place & Economy	Certified	
Taxi Infrastructure	Place & Economy	G&R	From DfT. ULEV Taxi Infrastructure Competition – completion by March 21

AUDIT ACTIVITY	Department	Assurance Level	COMMENTARY
Planned audit work from 2019 / 2020 which has been carried forward into 2020 / 2021			
Shared Services	All		<p>In progress</p> <p>A review of the cross-charging arrangements for those staff shared by Peterborough and Cambridgeshire.</p>
Aragon Service Statutory Testing	Place & Economy		<p>In progress</p> <p>A review to determine whether the Council (through a contract arrangement with Aragon) are fulfilling their duties in relation to the requirement to complete statutory testing of machinery and appliances at Council owned properties.</p>
Health and Safety	Customer & Digital	N/A	<p>Completed</p> <p>A follow up to determine progress of recommendations from the original Internal Audit report along with those made in reports by an external consultant on fire Safety and Health and Safety.</p>
Shareholder Committee	Governance	Reasonable	<p>Completed</p> <p>An appraisal of the arrangements for oversight of external organisations including the Shareholder Cabinet Committee and client management arrangements.</p>

AUDIT ACTIVITY	Department	Assurance Level	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. Those marked with an asterisk relate to risks associated with the Covid-19 pandemic.			
Section 1 – Audits achievable with planned resources			
Covid-19 returns *	Resources		
Financial Rules	Resources	N/A	Completed Consultancy advice on the new Financial Control Framework, including Financial Rules and Scheme of Delegation.
Agile Working	Chief Exec		In progress A review of absence management within the new agile working arrangements. This was included in the original plan but has increased importance now that a large number of staff are working from home.
Business Support Grant *	Resources		In progress Post payment assurance work in line with guidance and requirements from MHCLG/BEIS. This is designed to detect fraud and error, with the aim of recovering erroneous payments, for all business support grants, including the new discretionary grants. The value of grants being paid out is approximately £30m.
Payment Controls*	Resources		In progress A review of procurement and contracting arrangements following relaxation of some controls to deal with the pandemic, as well as increased levels of fraud risk. For example: on-boarding of new suppliers; bank mandate fraud; increased extensions and exemptions to contracts
Purchasing Card Controls*	Resources		In progress A review of spend during the pandemic.

Supplier Relief*	Resources		In progress A review of arrangements to support contractors and suppliers during the pandemic, for example via uplift and advance payments.
Infection Control Fund*	People & Communities		In progress A review of the operational and financial controls in place to manage payments to care providers in respect of the government grant initially of £1.75m (but recently extended).
Hub Payment Methods*	People & Communities		In progress A review of new payment methods implemented to assist with Hub activities and payments for food for those who are vulnerable and shielding.
Cyber Security	Customer & Digital		In progress Monitoring of the IT response to increased fraud risks and the impacts of remote working.
HR/Payroll Systems	Resources		In progress Resourcelink is being developed to offer self-service management of expenses, absence and so in. This will have increased importance now that staff are working remotely. An overview of the control framework in place.
Vivacity	Place & Economy/ People & Communities		Support as processes change now that Vivacity activities have transferred to the City College and to Aragon.
ICT Joint Strategy	Customer & Digital		In progress A review of the arrangements to make payments through the BACs Bureau operated by CCC (previously provided by Serco IT).
Aragon	Place & Economy		Governance arrangements for this wholly owned company.

Think Communities	People & Communities		This will look at the arrangements for partnership working, including shared decision making and data sharing. This was already included in the plan, but will have a new focus following the successful operation of the Volunteer Hub and the inclusion of the ethos and newly developed operational and partnership arrangements that are intended to become BAU.
Teacher's Pensions	Chief Executive	Limited	This looked at the arrangements for ensuring that payments in respect of enhanced pensions for prematurely retired school staff are accurate.
Management Up-skilling	Chief Executive / Resources		Consideration of activities for upskilling managers following the reshaping of HR and Finance functions
Norfolk Property Services	Resources	Reasonable	Completed This was a further follow-up of a report issued in April 2019 (with a Limited Assurance opinion) and initially followed up in November 2019. Six recommendations were made and actions have been implemented in 5, with one remaining in progress (a review of the contract specification to make it clearer and thus easier to manage).
Energy Management	Resources		
Aragon Transition Project	Business Improvement & Development	Reasonable	Completed A follow up of a report issued in January 2020 (with a Limited Assurance opinion). Four recommendations were made. One action is now complete and three are in the process of being implemented as part of the new Programme Management arrangements being implemented.

AUDIT ACTIVITY	Department	COMMENTARY	PRIORITY
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 not achievable with planned resources			
Schools (removed)	People & Communities	DofE proposals to re-introduce cyclical audits of schools have been delayed due to the Covid-19 pandemic.	Top Slice
Temporary Accommodation (removed)	Place & Economy	A review of the operation of the various teams/organisations in managing temporary accommodation.	H
Asset Management (removed)	Resources	A review of some specific aspects of asset management: <ul style="list-style-type: none"> • Arrangements for keeping the asset register up to date • Process for ensuring condition surveys are completed on buildings 	H
Climate Change (removed)	Place & Economy	A review of arrangements for achievement of action plan.	H
Business Improvement District (removed)	Place & Economy	This will look at the processes for collection of the new levy as well as payment (of claims against the funds raised).	H
Licensing (removed)	People & Communities	Covering both Selective Licensing and HMO licensing. New legislation requires more properties to have an HMO license.	H
Peterborough Integrated Energy Infrastructure (removed)	Place & Economy	Energy from waste scheme. A look at the processes in place that ensures all grant criteria are met to enable grant to be claimed. Also the governance around roles/decision making between partners.	H

Parking Services (removed)	People & Communities	Review of all on and off street parking, enforcement activity, and use of car parks as assets.	H
Mental Health	All	A review of the Council's Mental Health Strategy and its implementation.	M
Town Deal Funding	Place & Economy	A review of the framework for managing grant funds.	M
Direct Payments (removed)	People & Communities	A review of the process for awarding and monitoring payments made direct to service users in respect of their care packages.	M
Event Management	Place & Economy	A review of the arrangements for public safety at events in the city.	M
Housing	Resources	Arrangements for managing the stock of council owned housing and the proposals around becoming a HRA.	M
University PropCo	Place & Economy	A review of the governance of this joint venture between the Council and the Combined Authority, which will be responsible for the delivery and management of the proposed university buildings.	M
Fair Tax Mark	Resources	Compliance with initiative promoting fair tax conduct.	M
SEND	People & Communities	Spend on children with disabilities and cost of packages and what changes when transition into adults	M
Safeguarding Assets	People & Communities	Protocol for when the Council acts as deputy or appointee for service users.	M
Data Management	Corporate	How the council ensures that its data is accurate and available for efficient decision making.	M
Off contract purchasing	Corporate	Analysis of purchases made outside corporate contracts, including spot/block purchasing of beds.	M
S75	People & Communities	Arrangements to ensure that all S75 agreements are up to date and appropriate leading up to renewal.	M
Joint funded placements	People & Communities	Examination of financial arrangements where the Council funds placements along with other authorities.	M

7. EXECUTIVE SUMMARIES OF LIMITED OR NO ASSURANCE REPORTS

APPENDIX C

7.1 IT Asset Management Executive Summary

Introduction

Serco provide the Council's ICT service. Since the Council's move to agile working, the vast majority of Council or partner officers will have a laptop or Chromebook, and perhaps other electronic devices such as mobile phones, tablets etc, to enable them to perform their roles in an agile way. The Council's agile workstations have been kitted out with at least one monitor, and various other peripheral items such as docking stations and keyboards. A significant amount of money has been invested in portable IT hardware. Equipment may be desirable and not easy to track, and therefore there is an increased risk of loss or theft. An audit of IT asset management forms part of the 2019/20 audit plan. The current contract with Serco, due to expire at the end of September 2020, will not be re-let and the ICT service will transfer back to the Council at that point.

Objectives and Scope

The purpose of the audit was to ensure that the Council has processes in place that enable it to:

- Understand the requirements for portable IT equipment while delivering operational efficiency and value for money
- Know what equipment it owns, where it is, and who it has been assigned to
- Have sufficient information to accurately estimate the value of its hardware for accounting and insurance purposes
- Be assured that its IT hardware assets are being adequately managed.

The scope covered portable, or reasonably portable, IT devices, including peripheral equipment. The scope excluded software, and bulky equipment (e.g. MFDs) although any issues identified during the audit may also be relevant to these areas.

Main Findings

- The ICT Partnership Agreement obliged Serco to create and maintain an IT asset register. There appears to be no overarching register or inventory of IT assets that identifies the equipment owned by the Council, and by Serco for the purposes of providing the ICT service, where the equipment currently is, who has it, and any return, reassignment or disposal of items. There are a number of different sources of information that could be interrogated if enquiring about a specific asset.
- IT equipment held by the ICT team as stock or being built for issue, is accessible by a large number of officers within ICT's Technical Services and Accounts Office teams. Those officers are also able to access and freely edit the Stores Spreadsheet, presenting a risk of misappropriation of items and ability to delete records relating to them.
- Stock checks on items held by ICT rarely take place. The onus for performing checks on equipment once issued resides with the Council, and there is not much guidance available for managers to explain exactly what is required of them.
- There is a complicated picture with regards to ownership of devices held by ICT, with some being owned by Serco (including PSSP), some by the Council, and potentially some by other organisations.

Conclusion and Opinion

At the time of this report, the Council does not appear to know exactly what IT equipment it owns. As the ICT service returns to the Council in a few months' time, it is important that ownership of the devices that are held by staff, and in ICT's various store-rooms is established and clearly documented before the contract ceases. Creation of a proper IT asset register will be a time-consuming task. Consideration could be given to procuring IT asset management software, and that approach may address segregation of duties concerns. Irrespective of whether asset management software is procured, the current arrangements for administering IT equipment in stock should be reviewed, with the aim of reducing the number of officers with direct access to stock, to the Stores Spreadsheet, and edit access to whatever form of asset register is eventually put in place. Appropriate segregation of duties need to be introduced to reduce the risk of loss or theft.

Proper guidance for departmental staff needs to be published so that everyone is aware of their responsibilities, and the expected processes they should be following.

Permission was recently granted to officers to borrow monitors and cables to assist extended working at home during the Covid-19 outbreak. Although a process was put in place quickly to facilitate this, there has been non-compliance with it, with additional items being declared as borrowed, and a least one monitor has been removed without a corresponding declaration form being completed. When normal working resumes, it will be necessary for management to undertake a check that equipment has been returned to agile workstations.

The audit opinion is limited assurance.

7.2 Teacher's Pensions Executive Summary

Introduction

This audit relates to concerns raised by Human Resources (HR) in relation to teachers' premature retirement pension contributions. A teacher, referred to in this report as Teacher A, had been made redundant in 2000, and an agreement had been reached to allow the teacher to retire early. In 2017, the Teachers' Pensions Service (TPS) had written to the Council, making a back-dated claim for £75,989.07 in pension contributions for Teacher A that TPS had failed to bill the Council for since 2000. The reasonableness of this claim was disputed by Payroll by letter at that time. TPS did not respond until early 2019, when they repeated their claim. TPS subsequently wrote off the 'debt' that sat outside of the statute of limitations, reducing their demand to just over £31k. However, it was unclear whether the Council should be liable for contributions, as it had been observed that Teacher A had been an employee of Peterborough Regional College, not the Council or one of its maintained schools. TPS provided a copy of the premature retirement benefits application form which made clear that the Council had authorised the arrangement. The Council officer who certified the application left the Council years ago. The Council paid the reduced demand last September, and since then has paying ongoing contributions to TPS of just under £500 per month. The matter was referred to Legal Services to formally dispute the charges, with a view to recovering the sums paid, as it was believed the Council has never had any responsibility for teachers at the Regional College. The quarterly invoices being received from TPS cover premature retirement contributions in relation to 79 teachers (including Teacher A), and current charges equate to around £336k per annum. There is concern that there may be other teachers being billed for who the Council should not be liable for.

Objectives and Scope

The purpose of the audit was to:

- Determine the extent of the problem and how it is being resolved.
- Provide advice on actions and controls going forward to ensure that payments in respect of early retirement pensions are accurate and valid.

The scope covered consultancy advice on a query raised about possible erroneous payments for early retirement pensions

This audit was conducted in accordance with proper audit practices, which are set out in the Public Sector Internal Audit Standards (PSIAS). The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

Main Findings

- Officers from Payroll and HR had been unable to say how it was identified that Teacher A had been an employee of Peterborough Regional College at time of retirement. The Payroll team have now identified, from the establishment code stated on Teacher A's TPS Portal member print, that Teacher A was employed at Peterborough Centre for Multicultural Education (PCME), which is believed to have been part of the Council's Education department. It therefore seems that the Council will be liable for the contributions in respect of Teacher A.
- There are inconsistent levels of supporting evidence available to Payroll in electronic format for each teacher. For the majority of the teachers concerned, evidence held electronically is insufficient to enable Payroll to quickly verify that the teachers are appropriate for inclusion in the invoices submitted by TPS.
- An exercise was recently undertaken by Payroll to use the TPS member portal to try to ascertain the schools or other locations where each prematurely retired teacher was employed at time of retirement, in order to identify any other cases that the Council may not be liable for. This identified six others that need investigating. One of these teachers, referred to in this report as Teacher B, had sufficient documentary evidence available to confirm that the Council should be responsible, and therefore the information held in the TPS portal may not be entirely reliable, or may have been misunderstood.
- Invoices are paid in monthly instalments via payment requisitions created by Payroll. Payroll have to trust that the figures submitted by TPS are correct. Officers involved in the approval of these payments in Agresso have not been provided with the breakdown from each invoice, so they must trust that figures on each requisition are correct
- Comparison of the invoice breakdowns from December 2015 and December 2019 showed that only Teacher A had been added in that time, while two teachers had ceased having contributions made. This suggests that there have been no recent premature retirements resulting from redundancy.

Conclusion and Opinion

While the immediate concern over the liability for Teacher A's premature retirement contributions has now abated, it remains important to verify who employed Teacher A at the time of their retirement (e.g. by locating or obtaining a copy of their compromise agreement). Legal Services should be informed of the current situation, to prevent legal action being taken. The initial exercise undertaken by Payroll to identify where the teachers appeared to be employed at time of retirement has been useful as it has highlighted cases for prioritisation. Nonetheless, each teacher on the list needs to be verified.

It seems unlikely that TPS, or third parties such as Education Personnel Management (EPM) who provide the HR service for most local teachers, would be prepared to treat the finding and provision of supporting documentation for a large number of teachers as a priority. Therefore the onus must be on the Council to determine whatever HR and payroll records it holds relating to the redundancy of each teacher, including examination of any archived manual files, before attempting to supplement evidence where necessary via outside help. Ideally, the compromise agreement, or equivalent, from each redundancy should be available, as this should confirm that the teacher was considered a Council employee, what the Council was committing to fund (e.g. discretionary enhanced pension), and who agreed this on the Council's behalf. A copy of the TPS premature retirement benefits application form for each teacher should also be found or obtained.

As current annual invoiced costs exceed £300k, and costs for each teacher could continue for many years more, it is important to establish that what is being paid is reasonable. A better understanding of how contributions are calculated and administered is needed, so that invoices are not being paid based solely on trust.

There do not appear to have been any recent premature retirements that have resulted in the need for contributions to TPS from the Council, so there seems no immediate need for a new process at this time. However, the Service Director, Education will need to ensure that if premature retirement is considered in future for school staff, the implications are fully understood by the Council and the relevant schools, especially the long term financial commitment, and that the Service Director, Education's formal approval is obtained, before any such offer is made. The Service Director, Education would also need to ensure that HR and Payroll are provided with appropriate evidence of their approval and the anticipated costs, at the earliest opportunity.

The audit opinion is Limited Assurance

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