

**ANNUAL AUDIT OPINION
2020 / 2021**



ANNUAL REPORT

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INTRODUCTION

The Public Sector Internal Audit Standards (PSIAS) states that the Chief Audit Executive must produce an annual report that can be used to inform the Annual Governance Statement, which forms part of the Council's accounts. It must include an opinion on the overall adequacy of the governance, risk and control framework; a summary of the work from which the opinion is derived and a statement on conformance with the PSIAS. This report, the Annual Audit Opinion, fulfils these requirements.

The Chief Audit Executive (CAE) at Peterborough City Council is the Chief Internal Auditor, who reports to the Corporate Director of Resources.

ARRIVING AT AN OPINION

Background

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2020 / 2021. 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 PSIAS and 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.

Risk Based Planning

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. In an ever-changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council, and this has been particularly important this year. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. Our approach gives precedence to areas assessed as high risk, although we aim to provide coverage over a wide range of activities, as listed below, to ensure our opinion is comprehensive.

- Corporate Governance, including information governance and risk management
- Partnerships and external organisations
- Programmes and projects
- Contracts and procurement
- Financial systems
- Service delivery risks
- Anti-fraud culture

Impact of Covid-19

Following the outbreak of the Covid-19 pandemic in late March 2020, Internal Audit introduced a strategy setting out 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 needed backfilling due to the emergency response, resulting in provision of support to the Education Finance team.

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.

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 provided 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 initial reduction in resources as team members volunteered to provide support to the Covid-19 Co-ordination Hub. However, one of the volunteer roles was extended beyond the expected three month term and has now become a long term secondment until March 2022. This, along with a Senior Auditor post becoming vacant during the year, has reduced our capacity considerably.

In response to this, and also due to the need to respond quickly to numerous changes and new initiatives, Internal Audit has been pro-active and offered consultancy advice where we would normally conduct full audit reviews. Consultancy work does not offer the same degree of assurance because it relies on a theoretical knowledge of the system under review, and does not obtain evidence to support an evaluation of how the system is working in practice. However, we consider this to be an appropriate response to the situation and enabled us to provide greater coverage than we otherwise would have been able to. Therefore, we have considered our consultancy work when formulating the Annual Audit Opinion.

Our work has also been impacted by the need to allow management to prioritise their emergency response. This has led in some cases to a longer time span to complete audits, or to obtain responses to recommendations, but all significant work has been completed within the year.

The Audit Review

There are two key 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 how well the control framework has been designed to mitigate identified risk, and whether there are any gaps in control.
- However, controls are not always complied with which will increase risk, so the second part of an audit is to ascertain the extent to which the controls are operating in practice. This element of the review enables internal audit to form a view on the extent of compliance with the control framework.

Reporting

Where appropriate, each report we issue during the year is given an overall opinion, as shown in the table below.

Certain pieces of work do not result in a formal audit report with an opinion – such as consultancy work, grant reviews and involvement in working groups. 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.

Opinion / Assurance	Description
SUBSTANTIAL	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There is 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.

RECOMMENDATION GRADES	
Grade	Description
CRITICAL	Fundamental control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
HIGH	Major control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
MEDIUM	Moderate control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
LOW	Minor control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

OPINION 2020 / 2021

As Chief Internal Auditor, 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 2020 / 2021 internal audit plan;
- 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;
- 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.

I am required to provide an opinion on Governance, Risk Management and Internal Control. Internal Audit's coverage of Risk Management has not changed significantly from previous years. However, the pandemic has impacted on the quantity and coverage of internal audit reviews of governance and internal controls due to reduced capacity. However, it is considered that sufficient work has been completed during the year, including consultancy work, and that this was focused on the important risk areas, notably the changes to business as usual systems and new initiatives and activities. Our Internal Audit Plans for 2021/22 provide ongoing coverage for activities affected by the pandemic.

Following consideration of the above I am able to provide the following Opinion for 2020 / 2021:

*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
July 2021

BASIS OF ANNUAL OPINION

The audit work that was completed for the year to 31 March 2021 is detailed at the end of this report and lists each audit and individual result in terms of the audit assurance level and the number of recommendations made. A summary of assurance levels is detailed below. This shows that 87% of the systems that were given an opinion achieved an assurance level of reasonable or higher (2018-19: 72% and 2019-20: 80%).

AUDIT ASSURANCE						
Assurance Levels	Numbers			%		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Substantial	1	2	0	5	10	0
Reasonable	12	14	13	67	70	87
Limited	5	4	2	28	20	13
No	0	0	0	0	0	0
	18	20	15	100	100	100
Certified	10	13	10			
Consultancy	17	22	22			
	27	35	32			

RECOMMENDATIONS MADE			
	Numbers		
	2018/19	2019/20	2020/21
Low	17	27	11
Medium	43	44	28
High	18	40	9
Critical	0	0	0
	78	111	48

In addition to the audits detailed in the above table, further audit work was carried out which feeds into the overall opinion, including 7 governance reports.

At the year-end 4 audit reviews and 2 pieces of consultancy work were in progress and audit opinions relating to these will be reported during 2021-22 as part of the agreed performance reporting timetable to the Audit Committee.

Scope Limitations and Impairments

PSIAS states that the CAE should disclose any impairments or restrictions to the scope of Internal Audit work. Our Internal Audit Charter sets out our remit and authority to have full, free and unrestricted access to any of the organisation's records, assets and people. This includes access to organisations where council data is processed as part of a contractual arrangement. One area where we continue to gain further clarity is access to the various external organisations and partnerships in which the Council has an interest, and this is presently being reviewed by the Acting Director of Resources and Director of Governance.

In line with the PSIAS, we have a process for team members to declare any interests that may impact on the impartiality of our work. I can confirm that all declarations have been made as necessary, and no conflicts have occurred during 2020-21 that have impaired the work carried out.

Where the CAE has roles or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. The CAE at Peterborough manages the Insurance and Investigations teams, conducts stage 2 corporate complaint reviews and acts as a reserve approver for payments from the Council's bank accounts. Our Charter states that, should we carry out an audit of these areas, the work will be quality assured independently from the CAE. I can confirm that there have been no instances where a conflict of interests has resulted in alternative arrangements being required.

Implementation of Recommendations

We followed up Energy Management, Health and Safety, Shareholder's Committee, Norfolk Property Services and the Aragon Transition Project. In total, 31% of agreed actions have been implemented, 49% were in progress and 20% were either no longer relevant or not implemented at the time of the review. It should be noted that the original Health and Safety audit resulted in a large number of recommendations and, along with the recommendations made by an external consultant, actions have been incorporated into a three-year plan. As such we would not expect to see them all being implemented at this stage. It is also the case that the emergency response to the pandemic has taken the focus away from implementing some of the recommendations. Where important recommendations have not yet been actioned, we will continue to track progress.

	Critical	High	Medium	Low	Total	%
Recommendations Agreed	0	31	48	7	86	
Implemented	0	12	10	5	27	31
Partial / In progress	0	12	29	1	42	49
Alternative actions taken	0	0	1	0	1	1
No longer relevant / not implemented	0	7	8	1	16	19

Corporate Governance

Internal Audit produced a control self-assessment questionnaire for Directors and senior management to complete. A review of responses identified issues to feed into the Annual Governance Statement. The new significant issues to be addressed are reported elsewhere on the Audit Committee agenda.

The Risk Management Board is chaired by the Acting Corporate Director of Resources and has representation from all directorates, along with Insurance and Internal Audit. Departmental risk registers are updated and discussed at each meeting (approximately every six weeks) and recorded on POWA, our project management system. Issues that are assessed with a high level of risk are escalated to the Strategic Risk Register and reported to Audit Committee. Internal Audit led on Fraud Risks and the development of the COVID-19 risk register. This was monitored and updated on a regular basis as risks emerged during the pandemic. It has now been incorporated into departmental risk registers.

Internal Audit have been involved in the Information Management Strategic Board meetings, with particular focus on cyber security issues and progress of the IT strategy during the return of IT management from Serco to the Council.

Anti-fraud Culture

Internal Audit also includes the investigations team who are responsible for reviewing council tax fraud, corporate fraud, staff misconduct and Blue Badge fraud. A separate report covering their activity for the year is brought to the Audit Committee. There is some crossover in the work of the investigations team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. Internal Audit has not been involved in any major fraud investigations this year. Significant work has been carried out with regards to the National Fraud Initiative. This statutory exercise involves data matching of public and private sector data to detect potential fraud. The resultant matches are being investigated and outcomes from this exercise will be presented to Audit Committee in a future report.

Financial Governance

Our work in this area has consisted primarily of consultancy work. We have provided advice on Financial Regulations as they have been developed, and the new Business Model for financial management, both of which followed on from the Grant Thornton review. We have provided input to the project to implement a new payment module with the Adult Social Care system, Mosaic, and also to the transfer of the Home Delivery Service payments process to it.

Another strand of work has been to lead on a project to instigate real time analysis of creditor payments with a view to preventing duplicate payments. Initial research has resulted in £8.5k worth of duplicates being discovered and recovered.

Whilst our audit coverage in this area is more limited than previous years, we are aware that extensive work has been done to monitor and report on the financial impact of the pandemic, and that regular communications with MHCLG (Ministry of Housing Communities and Local Government), including an independent review, have enable the Council to understand its financial position and implement appropriate action plans.

Partnerships and External Organisations

We carried out three follow-ups in this area. The Shareholder Cabinet Committee was reviewed in 2019/20 and a follow-up is currently underway, although we know that the majority of recommendations were implemented soon after the audit was conducted. We also followed up Norfolk Property Services and found one action remains outstanding, which is that the contract specification is yet to be reviewed. Our original audit of the Aragon Transition project resulted in a number of recommendations relating to project management generally and these are being actioned with the development of a new project management system and methodologies, overseen by the shared Project Management Team.

We also carried out a financial audit of the Mayor's Charities Fund for 2019/20. This was not necessary under Charity Commission requirements, as the income level fell under a threshold, however management requested the work to provide assurance prior to disbursement of funds.

We have also undertaken a review of statutory testing arrangements in Aragon. Finalising the review work has been delayed as a result of resource time of frontline officers being diverted as a result of COVID-19. However work undertaken thus far is indicating that there has been good progress made in this area where there was previously significant concerns.

Finally, we provided some consultancy advice in relation to the process of precept setting and internal and external audit for Parish Councils.

COVID – 19

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 has been conducted (and is still underway) to provide assurance that payments have been in line with the criteria set. This work is being carried out under the guidance from the Department of Business, Energy and Industrial Strategy and includes monthly reporting requirements; risk assessments for each scheme; development of post-payment assurance plans and testing work to identify fraud and error.

We have also conducted full audit reviews of the process for paying care homes under the Infection Control Grant funding and the management of the provision of food parcels by the Co-ordination Hub.

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 reviewed Purchasing Card transactions and also payment controls to provide assurance in these key areas of risk.

We have provided consultancy advice in a number of areas as new initiatives have been introduced, such as the Test and Trace Isolation payments scheme and the Winter Grant scheme.

Service Delivery

We had less time to spend on business as usual audits this year, completing two full audit reviews that were started in 2019-20:

IT Asset Management looked into the review of the management of portable IT equipment. It was concluded in the early stages of the pandemic, thus enabling some initial commentary on the initiative to allow staff to remove equipment from the office for home use. The IT team have since been brought back in house from Serco and work has commenced on a stock take. A follow-up audit is about to start.

Work on Business Continuity was suspended at the start of the first lockdown, but we produced an interim memo giving initial findings to assist in emergency preparations. This has subsequently been completed and finalised into a formal report.

Consultancy work was completed on a number of areas including the new HR management system and payroll and pension payments.

A significant follow-up of Health and Safety was also conducted 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. Due to the number of recommendations, a 3 year action plan has been drawn up and progress is being made in key areas.

We have not conducted any work in relation to projects this year.

Significant Issues

The PSIAS state that the Chief Audit Executive should report any issues considered particularly relevant to the preparation of the Annual Governance Statement. The following areas are noteworthy.

- Cyber Security and Disaster Recovery: There has been no adequate protection for Disaster Recovery in 2020/21, affecting those line of business systems sitting on our servers in Sand Martin House (over 50% of systems). Plans have been developed for implementation this year. Remote working has introduced issues with ensuring all end-user devices are kept up to date with security patches. There was no Cyber Security Incident Response Plan. These issues are being progressed currently, and Internal Audit intend to carry out a Cyber Security Audit in 2021/22.
- Fraud risks increased in all areas as a result of the pandemic, notably within the various financial support schemes for business and individuals, but also in other areas as fraudsters took advantage of more relaxed controls and uncertainty. Significant work has been carried out by Internal Audit and the staff involved to mitigate some of these risks within the financial support schemes. We also found limited changes to the control environment in relation to payments for good and services. It is important to remain vigilant and we will continue to focus on this area through data analysis techniques and review of transactions.
- IT Assets: At the time of our audit, there was a lack of knowledge of our portable asset stocks, which has been compounded by remote working and the removal of equipment from offices. There was also limited strategy and policy about roles and responsibilities for IT asset ownership. Since the return of the IT team to the Council and joining with Cambridgeshire County Council, progress is being made on these issues. A follow-up is currently underway.

Limited and No Assurance reports

The audits listed below have resulted in a limited or no assurance opinion. In line with our Internal Audit Charter, where the resultant reports have been issued as a final, executive summaries are provided for your information (see table at the end of this report). Reports with limited assurance that are in draft will be presented to Audit Committee once they are finalised.

- Teacher's Pensions – Premature Retirement Payments
- Procurement Cards (current report in draft)
- IT Asset Management

RESOURCING AND PERFORMANCE

Resourcing

Internal Audit is an in house team with an establishment of 6.1 full time equivalent staff (FTE). During 2020 / 2021, some staff volunteered to work in the Hub and this has resulted in a reduction of the total in post by 0.6 FTE. In addition, one of our Senior Auditors left at the end of October 2020, again reducing our total in post by 0.4 FTE. The table below shows a further reduction in time available to Internal Audit at the Council in two ways. Firstly income generating work for the Combined Authority, which came to an end in 2020/21 and is therefore reduced from previous years, and secondly non-audit work which relates to the Chief Internal Auditor's role in managing the Insurance and Investigations teams, reviewing stage three complaints and involvement in the Job Evaluation panel.

	No. of posts	Planned	Total in post for 2020/21	Audit Work PCC	Audit Work other entities	Non-Audit Work	Total FTE available for PCC
	Posts	FTE	FTE	%	%	%	FTE
Chief Internal Auditor	1.0	1.00	1.00	52	1	47	0.52
Group Auditor	2.0	1.60	1.60	96	3	1	1.54
Principal Auditor	1.0	0.50	0.50	100	-	-	0.40
Senior Auditor	2.0	2.00	1.00	92	7	1	0.92
Auditor	1.0	1.00	1.00	100	-	-	1.00
TOTAL	7.0	6.10	5.10				4.38

Performance

We have delivered 729 audit days to Peterborough and 19 days to the Combined Authority against an original plan of 957 days. The reduction in days delivered compared to the plan is accounted for by the reduction in staff of 1 FTE compare to the original plan.

In accordance with best practice, the Annual Audit Plan was re-assessed throughout the year to ensure it was aligned to changing risks and priorities. The plan was presented to Audit Committee in July instead of March 2020 and had already been re-prioritised at that point to incorporate what we knew about pandemic related risks and changes to practice. The revised Annual Plan contained 47 jobs for the Council, and although some have been removed, others added, and scopes of work have been changed, we have completed 49 pieces of work and have 6 currently in progress.

Quality Assurance

Compliance with Public Sector Internal Audit Standards:

An external assessment of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS) in November 2018 awarded the team with a Full Compliance Opinion. This assessment is required to be conducted every five years. The Internal Audit Service has continued to operate in compliance with PSIAS throughout the 2020/21.

Improvement Plan:

Internal Audit have developed an improvement plan in response to the recommendations of best practice contained within the above report, and including our service development plans. Progress to date includes:

- Ongoing revision of our Audit Charter, Annual Audit Opinion and progress reports to Audit Committee.
- Update of our documented working practices, particularly follow-up processes.
- Development of remote working practices as a result of the Covid-19 pandemic.
- Development of our use of technology to assist in the analysis of creditor payments and identification of duplicate payments.
- Development of a protocol with Cambridgeshire County Council Internal Audit for auditing services that are shared between the Councils.

Training:

Continuing professional development is a key aspect of the quality assurance programme, to ensure staff have the skills to carry out their responsibilities. There is a limited budget to purchase formal training, and we utilise free webinars, network events and team meetings to deliver training. Staff are also encouraged to carry out their own reading and research. There is also regular supervision of staff and all audits are subject to a quality review by the Group Auditors to ensure standards and quality are maintained.

ASSURANCE LEVELS AND RECOMMENDATIONS 2020 / 2021

Audit Activity	Department	Audit Type	Assurance opinion	Description
ANNUAL GOVERNANCE AND ASSURANCE				
Annual Governance Statement Review	All	Consultancy	n/a	Production of control self-assessment questionnaires for Directors and senior management. Review of responses to feed into the Annual Governance Statement for new significant issues to be addressed. Review, analysis of previous AGS and update previous areas requirement improvement. Progress against actions demonstrated and either deleted as achieved or rolled forward. Annual Governance Statement 2019 / 2020 presented to Audit Committee on 13 July 2020. Annual Governance Statement 2020 / 2021 presented to Audit Committee on 12 July 2021.
Annual Investigations Report	All	Consultancy	n/a	Annual Report for 2019 / 2020 was presented to Audit Committee on 13 July 2020. Annual Report for 2020 / 2021 was presented to Audit Committee on 12 July 2021.
Annual Audit Opinion	All	Consultancy	n/a	Mid-year progress for 2020 / 2021 was presented to Audit Committee on 16 November 2020.
				Annual Opinion for 2019 / 2020 was presented to Audit Committee on 13 July 2020. Annual Opinion for 2020 / 2021 was presented to Audit Committee on 12 July 2021.
Annual Audit Plan & Strategy	All	Consultancy	n/a	For 2021-22 a discussion report was presented to Audit Committee on emerging themes and planning approach on 25 January 2021. The Plan, Strategy, Code of Ethics and Charter were presented to Audit Committee on 22 March 2021.
Internal Audit Effectiveness	All	Consultancy	n/a	On-going monitoring, review and update against the PSIAS standards and associated action plan.
Audit Committee Effectiveness	All	Consultancy	n/a	Annual review for 2019 / 2020 was reported to Audit Committee on 13 July 2020. Annual review for 2020 / 2021 was reported to Audit Committee on 12 July 2021.

Audit Activity	Department	Audit Type	Assurance opinion	Description
CORPORATE GOVERNANCE				
Information Governance	All	Consultancy	n/a	Ongoing Involvement in the Information Management Strategic Board and any emerging issues, a shared arrangement with PCC and CCC.
Risk Management	All	Consultancy	n/a	Ongoing Membership of the Risk Management Board which meets approximately every six weeks, and reviews all departmental risk registers. Risk registers are now held on new software (POWA) in conjunction with County. Reports were provided to Audit Committee on 13 July 2020.
National Fraud Initiative	All	Consultancy	n/a	Complete Collection and data cleansing of the required data sets for submission to the NFI website run by the Cabinet Office. This data is matched with that of other organisations, and reports highlighting potential fraud and error were produced on 22 March 2021.
				In progress Bi-annual exercise where data matching undertaken. Data submitted in October 2020 and matches start to be received in January / February 2021. Additional data included in this exercise related to grants made payable to businesses as part of Covid-19 payments. Further details of matches and progress are reported to Audit Committee on 12 July 2021 in the Annual Investigation Report.
Anti-Fraud Policies	All	Consultancy	n/a	Complete Counter Fraud Policies are refreshed on an annual basis. They were submitted to Audit Committee for 13 July 2020 (due to the March 2020 being cancelled). They were also revisited for 2020/2021 and submitted to Audit Committee on 22 March 2021

AUDIT ACTIVITY	Department	Audit Type	Assurance opinion	RECOMMENDATIONS MADE					COMMENTARY
				Critical	High	Med	Low	Total	
FINANCIAL SYSTEMS									
Financial Control Framework	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Consultancy advice on Financial Rules and Scheme of Delegation.
Business Model Working Group	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Involvement in the development of a new financial management model, following the review by Grant Thornton.
Energy Management	P&E / Resources	Follow-up	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of the implementation of agreed actions following an audit of the processes in place for managing our energy costs, including contractual arrangements, data collection and monitoring and payment of invoices.
Shared Services	P&E / P&C	Risk Based							In progress Review of cross authority charging arrangements for PCC/CCC and Fenland DC, including governance arrangements and financial delegations
Mosaic Payment Controls	People and Communities	Consultancy	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Advice on payment and access controls during the implementation and post implementation phases of the Mosaic system.
Home Services Delivery Payments	People and Communities	Consultancy	Reasonable	0	0	2	1	3	Complete Control advice during the transfer and re-design of HSD payment processes to Mosaic.

SEN (Special Educational Needs) Payments	People and Communities	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Support, validation of data and advice in relation to SEN payments during a change to systems and processes.
Payment Data Analysis	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	In progress Leading on a project to instigate real time analysis of creditor payments with a view to preventing duplicate payments. £8.5k worth of duplicates discovered during research phase.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
EXTERNAL ORGANISATIONS									
External Bodies Oversight – Shareholder Cabinet Committee	All	Risk Based	Reasonable	0	0	6	0	6	Complete An appraisal of the arrangements for oversight of external organisations including the Shareholder Cabinet Committee and client management arrangements.
		Follow-up							Complete A review of the implementation of agreed actions of the above audit showed that 5 of the 6 actions had been implemented and 1 was in progress.
Aragon Services – Statutory Testing	Place and Economy	Risk Based	Reasonable	0	0	2	0	2	Draft Report 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 at Council owned properties.
Newborough Parish council	Law and Governance	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Liaison between Finance, Audit and Legal to provide advice relating to queries raised about precept setting and the process of audit within Parish Councils.

Aragon Transition Project	Business Improvement & Development	Follow-up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete 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 developed.
Mayor's Charity	Law and Governance	Consultancy	Reasonable	0	1	2	1	4	Complete 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
Norfolk Property Services	Resources	Follow-up	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete 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).

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
COVID-19									
COVID-19 – Corporate Process Changes	All	Risk Based			n/a				Complete Documentation of process and policy changes as a result of the pandemic to feed into risk assessments and planning of audit work.
COVID-19 Risk Register	All	Consultancy			n/a				Complete Internal Audit involvement in the development and production of a COVID-19 Risk Register during the initial stages of the Coronavirus pandemic. Covid risks were later embedded across departmental risk registers to improve ownership.
COVID-19 – Business Support Grants Schemes	Resources	Risk Based / Consultancy			n/a				In progress Extensive involvement in the many business support grant schemes that have been administered by Serco. Advice on arrangements. This work continues, as all other grant schemes must be covered.
COVID Winter Grant Scheme	People and Communities	Consultancy			n/a				Complete Comments on arrangements in place to administer this scheme which was introduced to support those most in need with the cost of food, energy and water bills and other associated costs.
COVID Hub - Food Parcels	People and Communities	Risk Based	Reasonable	0	1	0	0	1	Complete To review the processes instigated as a result of the national food programme and the introduction of free food boxes for those shielding.
COVID Infection Control Grant	People and Communities	Risk Based	Reasonable	0	0	0	0	0	Complete A review of our processes for administering the award of infection control grants to care homes.

Payment controls	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of payment 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 and bank mandate fraud. No major changes were found.
Supplier Relief	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of arrangements to support contractors and suppliers during the pandemic, for example via uplift and advance payments.
Procurement Card System	Resources	Risk Based	Reasonable	0	3	3	2	8	In Draft A review of changes to processes in response to the pandemic.
			Limited						Comments and recommendations were also made relating to business-as-usual aspects of the system.
Test and Trace Isolation Payments	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Advice on the system introduced to administer these payments.
All Saints Church of England School	People and Communities	Consultancy	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete A review of revised processes in response to new remote working arrangements.

Audit Activity	Department	Audit Type	Assurance Opinion	Recommendations Made					Description
				Critical	High	Med	Low	Total	
SERVICE DELIVERY									
Business Continuity	All	Risk Based	Reasonable	0	0	4	3	7	Complete This review was started before the first lockdown and an interim memo gave initial findings to assist in emergency preparations. This has subsequently been completed and finalised into a formal report.
IT Asset Management	Customer and Digital	Risk Based	Limited	0	1	7	3	11	Complete A review of the management of portable IT equipment. This was started at the end of 2019/20 and concluded in the early stages of the pandemic, thus enabling some initial commentary on the initiative to allow staff to remove equipment from the office for home use. The IT team have since been brought back in house from Serco and work has commenced on a stock take. A follow-up audit is about to start.
Payments in Lieu of Notice	Resources	Consultancy							In progress A review of the process for, and payments made under, PILON arrangements.
HR Management System	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete Part of a project testing team during the implementation of the new HR management system.
Health & Safety	Customer and Digital	Follow-up	n/a	n/a	n/a	n/a	n/a	n/a	Complete 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. Due to the number of recommendations, a 3-year action plan has been drawn up and progress is being made in key areas.

Teacher's Pensions – Premature Retirement Payments	Resources	Consultancy	Limited	0	3	2	1	6	Complete Investigation of possible errors in premature retirement pension payments, and subsequent review of the management of this process.
BACS Bureau	Resources	Consultancy	n/a	n/a	n/a	n/a	n/a	n/a	Complete A review of the arrangements to make payments through the BACS Bureau operated by CCC (previously provided by Serco IT).
Website Data Quality	People and Communities	Consultancy	Reasonable	n/a	n/a	n/a	n/a	n/a	Complete Review of data quality and accessibility on the Adult Services webpage in readiness for legislative changes.
Free School Meals	People and Communities	Special investigation	n/a	n/a	n/a	n/a	n/a	n/a	Complete An investigation into an allegation that free school meals were being sold on for profit by an individual. Not enough evidence to support the allegation.

AUDIT ACTIVITY	Department	Audit Type	ASSURANCE LEVEL	COMMENTARY
GRANTS AND OTHER CERTIFICATION				
Bus Service Operators	Place and Economy	Grant	Certified	A DfT (Department for Transport) grant to support bus services, including community transport services.
Integrated Transport and Highways Maintenance Grant	Place and Economy	Grant	Certified	A DfT grant via the CPCA to help local authorities cut carbon emissions and create local growth.
Taxi Infrastructure Grant	Place and Economy	Grant	Certified	A DfT grant. ULEV Taxi Infrastructure Competition.
Pothole Action Fund	Place and Economy	Grant	Certified	A capital funded DfT grant via the CPCA to support pothole repairs.
National Productivity Investment Fund	Place and Economy	Grant	Certified	DfT funding via the CPCA for 2018/19 to improve local road networks and public transport.
Local Transport Capital Funding	Place and Economy	Grant	Certified	An additional highways grant from the DfT (non CPCA) to support highways maintenance
Highways Maintenance Challenge Fund	Place and Economy	Grant	Certified	This DfT 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.
Disabled Facilities Grant	People and Communities	Grant	Certified	Non-ring-fenced capital funding towards grants that the council can award to disabled clients for necessary housing alterations.
Peterborough Integrated Renewables Infrastructure (PIRI)	Place and Economy	Grant	Certified	Council successful bid to Innovate and BEIS for funding for a local energy feasibility study. Verification of first and last claims.
Connecting Families	People and Communities	Compliance	Certified	A payment-by-results scheme from MHCLG in relation to the government's Troubled Families programme. 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 demonstrates how the Council will apply the qualification and success criteria.

AUDIT ACTIVITY	COMMENTARY
INCOME GENERATING WORK	
Combined Authority	5 pieces of planned work completed

FINAL AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
Teacher's Pensions – Premature Retirement	Limited	July 2021
IT Asset Management	Limited	November 2020

Executive Summary – Teacher’s Pensions – Premature Retirement

Introduction

This audit was not specifically part of the 2019/20 audit plan, but 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 due to their age, 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. We note that in an email from April 2019, which pre-dated any specific mention of the Regional College within the documents provided to Internal Audit, TPS made unexplained reference to “PRC”. It seems possible that this was interpreted as the Regional College, when the context of the email suggested PRC stood for premature retirement contributions, or similar. 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. For guidance on internal audit opinions and audit recommendation priorities, please refer to Appendix 1.

IT Asset Management Executive Summary

Introduction

Serco provide the Council's ICT service. As part of the Cyber Security Stocktake, Serco undertook a series of projects during 2018-19, with the intention of improving processes in those areas. One of the projects related to management of IT assets. 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. The closest approximation to an asset register is the Stores Spreadsheet, which is an internal Serco document seemingly created to help administer the recharging for equipment bought by Serco, to the Council and other linked organisations that Serco provide an ICT service to. It appears this is not a complete record of all equipment, and it is not being fully completed, thus giving a misleading picture of what is held by ICT. An internal review conducted by Serco had recommended consolidation of its various sources of information on IT equipment into a single asset database. While the recommendation had been accepted, and remained the intention, it had been put on hold for the time being due to various major changes that were under way, in particular the return of the ICT team to the Council, and provision of ICT service to Cambridgeshire County Council.

- 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 present time, 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.

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