



**INTERNAL AUDIT MID-YEAR
PROGRESS REPORT 2022 / 2023
TO 30 SEPTEMBER 2022**

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 2022 / 2023 Internal Audit Plan. The information included in the progress report will feed into and inform our overall opinion in the Annual Audit Opinion report issued at the year end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.2 Internal Audit use an assessment tool which allows us to continually assess risks and prioritise our work accordingly. As such, this report details the audits we plan to conduct, or which are underway, based on our current assessment of risk. Audits which are new have been highlighted in the table below. We will continue to appraise risk and refine our audit plans, therefore the audits listed in Appendix B that have yet to be started could be replaced if risk levels change.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance. To obtain this assurance, we look at the number and type of recommendations we make in each report and are summarised below:

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

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

1.5 Our recommendations are graded, dependent on the severity of the findings, see below:

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

2. **EXTERNAL WORK and OTHER DUTIES**

- 2.1 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. During the year to date these have included outturn reports for Insurance and the Investigations teams. The CIA also undertakes any Stage 2 Corporate Complaint reviews, as deemed appropriate, is a member of the Job Evaluation Panel as well as having some responsibilities for risk management as well as being a member of the Risk Management Board. Responsibility for risk management is due to move to a different section within Corporate Services where a dedicated role is being appointed to by January. The CIA will continue to sit on the Risk Management Board as a challenge role moving forward. It should be noted that the CIA also covered section 151 duties for the Director of Corporate Services for 2 weeks in September covering for director absence.
- 2.2 Some audit staff also support the organisation for corporate initiative such as job evaluation, Equality Diversity and Inclusion, Change Champion and assist during the election process.
- 2.3 To the end of August, one member of the team continued to support the Covid-19 Co-ordination Hub on an agreed secondment. This concluded from September with the individual transferring to Cambridgeshire County Council.

3. **RESOURCES**

- 3.1 The 2022 / 2023 plan was compiled on the basis of an in house team with an establishment of 6.1 full time equivalent staff (FTE). Within that establishment figure the Chief Internal Auditor (CIA) also has responsibilities for Investigations, Insurance and Complaints. Management of these activities included within the plan was budgeted to be just over 0.5 FTE bringing direct audit time to 5.6 FTE.
- 3.2 In addition to the above, a vacancy was held as a result of a Senior Auditor being seconded to the Covid Coordination Hub. Resources were therefore reduced to 4.6 FTE for the year and formed the basis of the plan.
- 3.3 At this point the team has 2 Senior Auditor vacant posts resulting from a resignation and the death in service of a member of staff during September. Arrangements are currently underway to recruit permanently to those posts where it is hoped to have increased resources in place during January 2023. The overall impact of this will be that resources will remain balanced at 4.6 FTE but this is dependent on the 2 posts being successfully recruited to. There will also be some lead in induction time which is often the case with new staff but it is hoped any impact will not be significant.
- 3.4 The audit plan, detailed in Appendix B, continues to highlight those audits that are not achievable within the currently available resource levels. All reviews that have materialised in year due to changing risk or new areas of work have been assessed, prioritised as required and are identified as 'NEW'. As new areas of work are identified through our assessment process it will result in other audit activities moving to the category of non-deliverable due to resources. In year there has been a significant increase in the number of grants that internal audit has been requested to review resulting in 11 additional reviews. These along with 3 new reviews have been prioritised for inclusion during the year. This has resulted in 8 reviews being assessed as no longer required, reassessed to be revisited due to timing or have a lower priority than new areas of work. These reviews are identified within the section of reviews that are presently unable to commence due to available resources.
- 3.5 Where possible assurance will be gained from audit colleagues where there is a vested interest in audits being undertaken. Three audits fall within this category with the reviews being undertaken by Cambridgeshire CC (2) and Fenland DC (1). An assessment will be made on the work undertaken to ensure assurance is appropriate to PCC but external assurance will be used if relevant along with any other external areas which can feed into the organisations assurance framework.

4. **PERFORMANCE and OUTPUTS**

- 4.1 A detailed commentary of the progress of the 2021 / 22 Annual Plan is documented at **Appendix B**. The table below gives a summary of the status of all audit projects. The figures for the 'current plan' include the additional grant work and reprioritised audit activities. As the plan continues to be prioritised on an ongoing basis these figures may be subject to change.

Peterborough	
Planned Activity	
Original Plan	57
Actual Activity	
Complete	24
In Progress	27
Yet to do	11
Current Plan	62

- 4.2 As stated in 3.1-3 the annual plan has previously based on resources of 4.6 FTE and the anticipated FTE is not likely to change if the planned recruitment is successful. A breakdown of how time has been spent as of 30 September 2022 is detailed in the table below.
- 4.3 The table below shows the proportion of time spent to September 2022 on PCC audit work and other duties and highlights how that impacts on the resource levels.

	Posts		Resources Planned for	Audit Work PCC	Other duties (see para 2.1)
	No.	FTE	FTE	%	%
Chief Internal Auditor	1.0	1.0	1.0	30.9	69.1
Group Auditor	2.0	1.6	1.6	98%	2%
Principal Auditor	1.0	0.5	0.5	100%	-
Senior Auditor	2.0	2.0	1.0	100%	-
Auditor	1.0	1.0	1.0	98%	1%
TOTAL	7.0	6.1	5.1		

- 4.4 There has been significant non audit additional work carried out by the Chief Internal Auditor in the first six months, compared to that originally planned. This is due to an increased amount of time required to focus on risk management prior to responsibility being transferred elsewhere within Corporate Services along with the CIA deputising for the Director of Corporate Services in a section 151 capacity during a period of absence and an external Public Sector Internal Audit Standards (PSIAS) review undertaken on behalf of Cambridgeshire County Council. The percentage of audit/non audit work is likely to change during the second half of the year as the responsibility for risk management changes.
- 4.5 A number of reviews are identified as in progress which includes those that were commenced by the team member that passed away. These will be concluded as soon as possible by reallocating to other team members but there will be some delay in doing this as existing workloads are managed.
- 4.6 There has been two finalised reports with a **LIMITED** assurance rating to date. The executive summaries of the National Non-Domestic Rates (NNDR) and Departmental Business Continuity reports are attached at **Appendix C**. Audit Committee will be advised of any future reports falling within these categories as part of the audit committee timetable.
- 4.7 It is too early in the audit year to provide an overall opinion on the internal controls operating across the Council that have been subject to audit from the 2022 / 2023 audit plans. However, should any areas of significant concern occur the Committee will be advised at the earliest opportunity.

5 COVID – 19

- 5.1 We have continued to spend time 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 continues to be 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 work now includes provision of evidence to BEIS in respect of the council's pre- and post-payment assurance work.

6 AUDIT PROGRAMME DEVELOPMENT

- 6.1 During September the team undertook some inhouse climate change training. This was also with a view to discuss with climate change colleagues how audit programmes can be developed to add value to the climate change commitment of the organisation. Whilst a specific climate change review may be undertaken the approach will also be developed to consider any relevant climate change issues within each audit. This approach will be evolving over the coming months.

APPENDIX B

PROGRESS AGAINST AGREED AUDIT PLAN

Where audits are “shaded”, these represent those jobs not started at 30 September 2022.

AUDIT ACTIVITY	COMMENTARY
AUDIT ACTIVITIES Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
Annual Audit Opinion	Produce report detailing work carried out and Head of Internal Audit Opinion of Governance, Risk and Control, in accordance with PSIAS. Completed - Annual Opinion 2020 / 2021 presented to Audit Committee on 25 July 2022.
Annual Governance Statement Review	<ul style="list-style-type: none"> • Review of senior management self-assessment assurance statements. • Development of the AGS in conjunction with the Corporate Director of Resources In Draft – AGS completed by Internal Audit and referred to Audit Committee on 25 July 2022. Corporate Leadership Team to take responsibility for any further amendments if required prior to finalisation of Statement of Accounts.
Annual Investigations Report	Completed Annual Report 2021 / 2022 presented to Audit Committee on 25 July 2022.
Mid-Year Audit Progress Report	Completed Annual Audit Progress Report 2022 /2023 being presented to Audit Committee at this meeting, on 28 November 2022.
Internal Audit Effectiveness	On-going On-going monitoring, review and update against the PSIAS standards and associated action plan.
Audit Committee Support	On-going This includes a review of Audit Committee effectiveness, update of the Audit Committee Handbook, provision of training and attendance at meetings.

AUDIT ACTIVITY	COMMENTARY
AUDIT ACTIVITIES Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
Information Governance Board	Ongoing Attendance at the Information Management Strategic Board, a shared arrangement with PCC and CCC.
Risk Management Board	Ongoing Chief Internal Auditor is a member of the Risk Management Board which is chaired by the Director of Corporate Services. Reports have been presented to the Audit Committee by the Chief Internal Auditor in year to September 2022 but responsibility for this activity has now been moved in line with discussions at Audit Committee
National Fraud Initiative	In Progress Co-ordination of data uploads have been submitted in line with government timescales. Data matches which include reviews such as blue badge cases, concessionary fares, benefit / council tax, right to work etc. will be released during February 2023. In December 2022 annual matches in relation to council tax single person discounts and the electoral register will be submitted. Any matches are returned immediately. Further works have also utilised NFI processes and these are identified separately in relation to Business Grants paid due to Covid-19
Fraud/Compliance activities	In Progress <ul style="list-style-type: none"> • Investigations into alleged fraud or irregular activities are detailed as individual reviews.
Annual Audit Planning	To commence quarter 3 Establishment of the future plans for 2022 / 2023, including a review of the Strategy, Charter and Code of Ethics and a pre-planning report on emerging themes

AUDIT ACTIVITY	Department	COMMENTARY
OTHER RESOURCE PROVISION Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.		
INVESTIGATIONS		
Fraudulent Payment Claim	CS	In progress PCC was compromised as a result of a customer account amendment. Action fraud have been advised and internal audit, serco and legal are working together to establish liability and recovery. Processes have been revised and changed where appropriate.
PCC funding of an external organisation	P&E	In progress Allegation regarding PCC Funding of an organisation in respect of use of funds
CARRY FORWARD		
Towns Fund Project	P&E	In progress A review of the Pedestrian Bridge project supported by the Towns Fund. Audit review of the project as it progresses and associated project governance arrangement processes.
Business Continuity – Departmental Review	Corporate Services	Complete – Limited Assurance A memo was issued highlighting that there was minimal evidence of formal BC plans and a process for regular review.

AUDIT ACTIVITY	Department	COMMENTARY
<p>OTHER RESOURCE PROVISION</p> <p>Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests for consultancy advice. We also carry out follow ups six months after an audit to track the implementation of recommendations. Finally, a number of jobs will overlap between financial years and require some time to complete.</p>		
<p>CONSULTANCY ADVICE</p>		
Energy Rebate	Corporate Services	<p>Complete</p> <p>Consultancy advice on processes to implement the energy rebate scheme</p>
Teachers Pensions – Premature Requirement Project	Corporate Services	<p>In progress</p> <p>A follow up of concerns previously identified in relation to the teachers pensions scheme. A project has been initiated to further investigate and recover monies overpaid. IA are providing consultancy advice.</p>
Mobile Phone Contract EE Tech Fund	Corporate Services	<p>Complete</p> <p>A review of the formal agreement between PCC and EE regarding a £70k fund held by EE on behalf of PCC for the use of purchasing mobile phones. 1 recommendation was made relating to the final reconciliation of the account to enable any outstanding amounts to be recovered.</p>
<p>FOLLOW UP PROVISION</p>		
Absence Management Follow up	Corporate Services	<p>Complete</p> <p>A follow up of the previous report findings. 2 further recommendations have been made.</p>
Energy Management	Corporate Services	<p>In Progress</p> <p>A follow up of additional recommendation made as part of the previous follow up.</p>

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
CERTIFICATION Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.			
Disabled Facilities	PS	In progress	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Integrated Transport Grant	P&E	Certified	A DfT scheme via the CPCA to help local authorities cut carbon emissions and create local growth.
Highways Maintenance	P&E	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	P&E	Certified	A capital funded DfT grant via the CPCA to support pothole repairs.
Traffic Signals Maintenance	P&E	Certified	Additional funding to the CPCA capital transport grants paid directly by the DfT to help local authorities improve and manage road networks.
CPCA – Quarterly Claims New!	P&E	Ongoing	A management request for quarterly transport claim documentation to be reviewed by internal audit prior to CPCA submission. Q1 & Q2 completed to date.
Protect and Vaccinate Grant New!	P&E	Certified	Funding received from the DLUHU to support the protection and vaccination of rough sleepers.
PIRI Project New!	P&E	Certified	Council successful bid to Innovate and BEIS for funding for a local energy feasibility study. Verification of last claim.
Homelessness Prevention Grant New!	P&E	Certified	Funding received from MHC&LG in relation to supporting the implementation of the Homelessness Reduction Act.
Rough Sleeper Initiative New!	P&E	Certified	Funding received from the DLUHU in relation to rough sleeper initiative funded services.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
CERTIFICATION: Continued... Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.			
City College - Arts Council Grant New!	P&E	Certified	Additional funding received from the Arts Council to support cultural organisations during the covid pandemic where services were affected due to government restrictions. 2 claims have been reviewed in year.
Contain Outbreak Management Fund (Covid)	PH	Certified	Funding from DHSC
Drug Treatment Universal Grant Scheme New!	PH	Certified	Certification work has been undertaken by CCC on behalf of both authorities with support from PCC.
Adult Weight Management Grant New!	PH	Certified	PCC passported funding to deliver the service to CCC. Certification work has been undertaken by CCC on behalf of PCC.
Mayors Charity Fund	L&G		In progress A follow up to previous review findings.
			In progress Independent examination of the Mayor's Charities' accounts, in line with the Charity Commission's requirements.
Basic Needs Fund	PS		Funding from DfE. An annual grant to support the creation of school places. Completion by December 2022
Supporting Families	PS		Ongoing Payments by results scheme. Requirement to audit 10% of the claims for every submission. Also to review the councils Outcomes Plan, which documents how PCC will apply the scheme. Claims are reviewed monthly.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
CERTIFICATION: Continued... Certification of grant claims in relation to funding received from government and other funding bodies, as well as other submissions we are required to make to government. These are not subject to risk assessment as they must be completed.			
Hampton Hargate School NCTL New!	PS	Certified	Various funding streams received from the DfE to support establishments with teaching school status.
Education Grants New!	PS	Certified	A review of the Local Authority CFO return which comprises 20 funding streams prior to submission to the Education and Skills Funding Agency.
Business Support Grants (Covid)	CS		In progress Initial advice was given during the scheme set-up and work has been conducted to provide assurance that payments have been in line with the criteria set. This work was carried out under guidance from the Department of Business, Energy and Industrial Strategy (BEIS) and included: monthly reporting requirements; risk assessments for each scheme; development of post-payment assurance plans and testing work to identify fraud and error. Work now includes provision of evidence to BEIS in respect of the council's pre- and post-payment assurance work.
Test and Trace Support Payments New!	CS	Certified	A UK Health and Security Agency funded grant.

AUDIT ACTIVITY	Source	Dept	Assurance Level	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 achievable with planned resources					
NNDR	Internal Audit	Serco CS	Limited	Complete A review of the adequacy and effectiveness of NNDR process to ensure that business rates revenue due to the Council is maximised, reducing the need to write off uncollected debt. 16 recommendations were made in total comprising 7 high and 9 medium. See executive summary for information.	H
Financial Resilience	Corporate Risk	All		Risk: Savings targets are not achieved / financial sustainability not realised. A review of the arrangements in place to ensure that savings targets are robust and that they are monitored.	H
Financial Operating Framework	Internal Audit	CS		Control advice during devpt of revised Financial Operating Framework, including Financial Regulations/Contract Standing orders/Contract management policy/Capital governance strategy	H
Income Generation / Charging	Corporate Risk	PS P&E		Risk: Income levels reduced following COVID. A review of processes that ensure accurate and complete billing and debt recovery in key service areas.	H
Cyber Security	Internal Audit	CS		In progress Follow-up of previous Limited Assurance audit report and focus on security in relation to remote working. Communications team risk: corporate website fails or is attacked (green).	H

AUDIT ACTIVITY	Source	Dept	Assurance Level	COMMENTARY	Priority
Prioritised Audits for Review					
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Section 1 – Audits achievable with planned resources					
Ukraine Support Fund New!	Mgmt Request	P&E	Reasonable	This audit involves a desktop review of key Homes for Ukraine and Ukraine Family processes and responsibilities managed by PCC. High level control advice was provided to address key risks associated with council obligations. 6 medium recommendations made	H
Payroll	Financial System	CS		In progress Full system review. Previous audit work has reported on weaknesses in accuracy and completeness of data.	H
HR Management	Corporate Risk	CS		Risk: Increase in staff absence and loss of staff. Review of actions to mitigate this risk including implementation of new workforce development strategy; management of staff wellbeing and use of the apprenticeship levy. Follow up of Absence management audit.	H
Covid 19 Public Enquiry	Mgmt Request	All		In progress Review of arrangements to ensure that data in respect of the Councils response to Covid 19 is retained appropriately and is available for a response to the public enquiry	H
Integrated Transport System	Project	PS		In progress New system shared with CCC. To cover school and ASC transport - route planning, DBS checks of drivers, payments to suppliers/other local auth. Advice on payment controls. In design now, devt due to complete Jun 22. £350k budget. Amber flag dues to delays.	H

AUDIT ACTIVITY	Source	Dept	Assurance Level	COMMENTARY	Priority
Prioritised Audits for Review: Continued					
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.					
Section 1 – Audits achievable with planned resources					
Covid 19 Public Enquiry	Mgmt Request	All		In progress Review of arrangements to ensure that data in respect of the Councils response to Covid 19 is retained appropriately and is available for a response to the public enquiry	H
Spectrum Replacement	Project	CS		In progress Advice on the control framework during design/implementation of the cash management system. Due to complete October 22.	H
Levelling-up Fund	Internal Audit	P&E		In progress Assurances that the £20m fund is being managed appropriately through our agreements with the CPCA, including joint ventures. Advice in relation to the required assurance framework. The fund is primarily being used for the University.	H
PCI Compliance	CS Risk	CS		In progress Compliance with Payment Card Industry requirements. Gaps in coverage previously identified.	H
Decision Making	Internal Audit	L&G CS		In progress A review of the governance structures for making and approving decisions, including delegated authority, compliance with the constitution, financial rules and the capital governance structure.	H

AUDIT ACTIVITY	Source	Dept	Assurance Level	COMMENTARY	Priority
Prioritised Audits for Review: Continued					
The following audit areas have been subject to an assessment (of size, corporate importance, stability, vulnerability and specific concerns) and ranked accordingly. The assessment, and therefore the ranking, may change during the year as circumstances alter and new risks emerge. Audit reviews will be prioritised on the basis of this ranking, along with the number of audit days available, the knowledge and experience of staff and any timing requirements.					
Section 1 – Audits achievable with planned resources					
Contract Tendering	Int Audit	All		Assessment of arrangements to secure best value in contracts.	H
City College New!	Mgmt Request	P&E		Review to focus on the governance arrangements in place. Confirm that CC is meeting its responsibilities in line with the agreement. (Look to also cover any issues identified from Cipfa review)	H
Clare Lodge New!	Mgmt Request	PS		Review of the budgetary arrangements (establishment of budget including expectations on occupancy and its monitoring throughout year)	H
Safeguarding Arrangements	PS Risk	PS		Risk: Failure of the Council's arrangements for safeguarding vulnerable children and adults Review of mitigating activity outlined in the risk register, along with the safeguarding assurances in place. Liaise with CCC to obtain assurance.	H
Drug and Alcohol Treatment	Contract	PH		A review of contract monitoring arrangements. Contract value of £5.4 Work to be undertaken by CCC	H
MRF contract	Mgmt Request	P&E		In progress – Work to be undertaken by Fenland DC This Materials Recycling Facility is operated in partnership with other authorities at a total value of £3.5m. Management request to carry out an open book review of the income share arrangement. Fenland DC to act as lead.	M

Prioritised Audits for Review – NOT Possible with current resources

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.

SERVICE SYSTEM	OR	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Disaster Recovery		CS Risk	CS	Dropped below the line following reassessment. DR arrangements cover systems in Amazon Web Services platform, but not others. Risk: DR plans are not tested	H
MyView - Expenses Module		Project	CS	Dropped below the line following reassessment. Control advice during implementation of expenses module - for online submission and approval of expenses.	
Risk Management		Internal Audit	CS	Deferred until Risk Manager in post. Follow-up of previous Reasonable Assurance audit report and support to develop further enhancements to the strategy and operational aspects.	H
External Organisations		P&E Risk	P&E CS	Dropped below the line following reassessment. Review of operation of new arrangements for governance of external companies as part of the Improvement Plan. RISK: failure of partnerships to deliver BAU.	H
Climate Change – Action Plan		Corporate Risk	P&E	Dropped below the line following reassessment. Risk: actions not developed and budget uncertainty. Review of compliance with targets and actions. To be incorporated into audit reviews of relevant areas.	H
Information Governance		L&G Risk	L&G	Dropped below the line following reassessment. Compliance with GDPR legislation. RISK: Lack of oversight and control of information management	H

Prioritised Audits for Review - NOT be possible with current resources.

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.

SERVICE SYSTEM	OR	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Opus Contract		Contract	CS	Deferred due to work being undertaken regarding contract review by the business Problems with delivery of contract. £6.7m annual, £20m contract value. IR35 – green risk on Corp RR.	H
Supplier Resilience		Corporate Risk	PS	Risk: Impact of challenging financial position of key health partners. Supplier Resilience following Covid. Review of due diligence, supplier set up and processes in place to monitor supplier resilience. Liaise with CCC.	H
Home to School transport		P&C Risk	PS	RISK: Increased demand for services, combined with financial pressures, will threaten the council's ability to deliver service within budget. Process to ensure transport is awarded in line with eligibility criteria. Area of high spend.	H
Care and Repair Contract		Contract	P&E	Review of contract management or tender process. Annual cost £4m. Contract Value £16m.	H
Integrated System	Care	P&C Risk	PS	Risk: impact on the way our services work with NHS services. A review of data sharing arrangements as the new operating structure and IT system develops.	H
Direct Payments		Internal Audit	PS	Arrangements for managing direct payments to ensure they are spent in line with care plans. High risk of fraud and error.	H
Aragon		Internal Audit	P&E	Review of Finance operations in this PCC subsidiary, including billing and charging arrangements. Assurance may be obtained from	H
Sundry Debtors		Internal Audit	CS	Review revised debt management process including CHC joint funding tool, and impact on outstanding debt with CCG.	H

Prioritised Audits for Review - NOT be possible with current resources.

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.

SERVICE SYSTEM	OR	SOURCE	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Temporary Accommodation		Corporate Risk	P&E	Risk: of increased demand due to homelessness. Review of management of costs, inc a variety of contracts.	H
Council Tax		Financial system	CS	Full systems review, to include application of reliefs and impact of Covid (non-payment, eligibility for new and existing reliefs)	H
Climate Change – Organisational resilience		Mgmt Request	P&E	Arrangements for dealing with the potential effects of climate change on the Council.	M
Academy to Cloud Project		Corporate Risk	CS	Risk: GDPR issues impacting on delivery of project. Review of management of this project. Alternatives being looked at due to high data storage costs.	M
WRAP Food Waste project		Corporate Risk	P&E	Removed – Risk has reduced Risk: Failure of Aragon in delivery of WRAP Food Waste Project. Review of project management. Funds received from WRAP for a food waste capture improvement project.	M
Blue Badges		Internal Audit	P&E	Arrangements for ensuring Blue Badges are awarded to/used by those eligible to receive them. A new IT system or new contract is planned.	M

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

AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
NDR	Limited	28 November 2022
Departmental Business Continuity Plans	Limited	28 November 2022

National Non-Domestic Rates (NNDR) - Executive Summary

Introduction

National Non-Domestic Rates, or business rates, are collected by PCC from occupants of non-domestic properties in Peterborough to contribute towards the cost of providing local services. Under the business rates retention arrangements introduced by central government, PCC keep a proportion of the business rates paid locally. This provides an incentive for PCC to work with local businesses to create a favourable local environment for growth so the Authority benefits from business rates revenues. NNDR income, together with council tax revenue, support grants provided by the Government and other income, is used to pay for PCC services.

Payment of business rate bills is automatically set on a 10-monthly cycle. However, ratepayers can elect to pay via 12 monthly instalments. The NNDR billing and payments operation has been outsourced to Serco, although PCC remain responsible for overseeing and managing the service provided by Serco.

PCC is responsible for overseeing the calculation of business rates based on multiplying the rateable value of properties by the appropriate non-domestic multiplier. There are two multipliers; the national non-domestic rating multiplier and the small business non-domestic rating multiplier. Central government sets the multipliers for each financial year which is based on the previous year multiplier adjusted to reflect the Consumer Price Index (CPI) inflation figure for the September prior to the billing year.

The rateable value of each applicable non-domestic property is set by the Valuation Office Agency (VOA), an agency of HMRC. This broadly represents the yearly rent the property could have been let for on the open market on a particular date specified in legislation. The Valuation Office Agency may alter valuations if circumstances change, and ratepayers and other interested parties may challenge property valuations directly with the VOA.

Depending on individual circumstances, ratepayers may be eligible for business rates relief. There are a range of available reliefs based on government policy and specific qualifying criteria, for example; small business rates relief, charity and community amateur sports club relief, unoccupied property rate relief, transitional and retail rate relief.

Objectives and Scope

The purpose of the audit is to assess the adequacy and effectiveness of NNDR process to ensure that business rates revenue due to the Council is maximised, reducing the need to write off uncollected debt.

The review will assess NNDR process, including:

- Adequacy and effectiveness of processes and controls in place for accurate and timely billing and collection of NNDR payments due, including best practise;
- Serco adherence with PCC contractual NNDR processing requirements, and the adequacy of Council process for monitoring Serco Key Performance Indicators (KPI);
- Adequacy and accuracy of NNDR management information and reports provided to PCC, including performance indicators that demonstrate KPI achievement;
- Effectiveness of the process for reconciling VOA schedules and NNDR records;
- Compliance with NNDR regulations and the effectiveness of Serco technical check processes;
- Process for managing business notifications about business property use and ownership changes;
- Process for applying rates relief and confirming eligibility;
- Process for collecting NNDR payments and the effectiveness of PCC oversight; and
- Process for refunding credit balances when properties are vacated.

Main Findings

- NNDR services provided by Serco are subject to two key performance indicators; collection and arrears rates. There is an opportunity to enhance PCC oversight of NNDR operations by expanding performance indicator reporting allowing formal scrutiny by PCC at monthly service review meetings.
- The process for reconciling VOA valuation records with PCC records is not documented, and there are currently eight NNDR account reconciling anomalies which are being addressed by Serco.
- The process for authorising discretionary rates relief authorisation is not documented and PCC does not have adequate oversight of all discretionary reliefs applied.
- NNDR debt recovery procedures are not documented and debts over 10 years old amount to £136K covering 136 NNDR accounts. A debtor account cleansing exercise is currently underway, and we recommend that aged debt and debt recovery progress be formally monitored as part of the monthly Serco service review meeting.
- NNDR credit accounts amount to £1.1M (Q4, Jan-Mar 22) covering 433 property accounts. Credit account review and refund processing should be performed more frequently, and we recommend that this is formally monitored as part of the monthly Serco service review meeting.

Conclusion and Opinion

A key mechanism for monitoring NNDR activity and performance is the Shared Transactional Service & PCC Liaison Meeting held monthly between Serco and PCC. There is an opportunity to further utilise this review process by supplementing KPI reporting with additional performance reporting which will allow PCC management greater oversight and opportunity to scrutinise NNDR processing.

The service contract signed by PCC and Serco in 2011 indicates that the PCC Compliance team should undertake a series of checks of Revenue & Benefits services including a series of NNDR activity reviews. The PCC Compliance team no longer exists and PCC do not perform compliance checks of Serco Revenue & Benefits processing. This further demonstrates the importance of enhancing oversight at the monthly Shared Transactional Service & PCC Liaison Meeting.

Not all key NNDR procedures are documented and there is evidence that long-standing NNDR debts need addressing. Action to review and process credit account refunds should also be undertaken more frequently.

The audit opinion is of limited assurance.

Business Continuity Departmental Review

Introduction

Internal Audit undertook a review of the Council's Business Continuity arrangements from a strategic business position as part of the 2019 / 20 Internal Audit plan. An action plan was produced and agreed in January 2021, following the impact of the pandemic. Progress against the observations made in January 2021 was reviewed during January 2022, where it was found that several action points have remained outstanding due to the extreme impacts of Covid along with staff shortages affecting implementation. These outstanding areas have been previously reported and were due to be subject to further review in July 2022. Following recent discussions with the Head of Emergency Planning, action implementation dates have now been further delayed due to a staff resignation until early November 2022 to allow for recruitment.

In light of the findings made during the above review, Internal Audit extended the review to assess departmental business continuity arrangements as part of the 2021 / 22 Internal Audit plan, in order to provide an overall opinion on Business Continuity.

Observations

Departmental Business Continuity Plans

The Guidance for Managers: Business Continuity and PCC Business Continuity Policy (dated February 2021) both clearly state the responsibilities for all parties regarding business continuity arrangements. Elements detailed within these documents relating to the issues highlighted as part of this review are detailed below.

Managers are required to liaise with the Emergency Planning team, ensure completion of relevant documentation and subsequent Business Continuity Plan on an annual basis for all services they are responsible for. This subsequently feeds into the Annual Governance Statement as a declaration that all services have up to date Business Continuity Plans.

The Emergency Planning Team's role is to maintain policy and templates. They provide a supportive role ensuring completion of templates by departments, offering an assistance, guidance and advisory service, along with annual review of all documentation. They have responsibility for tracking and monitoring plans across the Council using the Business Continuity Tracker.

The Business Continuity Tracker maintained by the Emergency Planning Team to record information regarding Responsible Officers and annual review of Business Continuity Plans and related documentation is not currently an up to date record. The last update was January 2021, and due to the Covid pandemic and staff shortages there has also been limited ongoing correspondence with

departments. The Emergency Planning Manager has highlighted this on the Risk Register for the department and this issue has been raised in the earlier reviews mentioned above. An update on progress will be sought by Internal Audit in November 2022.

During the course of this review the Business Continuity Tracker was used to select a sample of PCC departments in order to assess the extent to which Business Continuity had been addressed in the absence of the Emergency Planning Team performing their coordination and support role.

The sample selected represented departments who had a plan recorded on the tracker to assess the up to date position, and also those departments without records on the tracker to assess whether plans had been developed and implemented. The results showed that:-

- 25% were not available
- 50% were out of date
- 25% had been updated in a timely manner

Those that had expired were all dated late 2019 and early 2020, and therefore due for review at the time the tracker was being updated during January 2021. Although managers are responsible for the production of Business Continuity Plans ensuring they are fit for purpose, the impact of Covid 19 and staff absence within the Emergency Planning Team has resulted in plans that have not been maintained appropriately as their annual review acts as a reminder for managers. This demonstrates that departments are relying on the central function to prompt review and update.

Provision of training where appropriate for those officers with business continuity responsibilities may assist in maintenance of plans. This has already been reported within the Business Continuity review and will be subject to subsequent follow up. The Emergency Planning team plan to highlight new guidance available once annual meetings with departmental responsible officers are reinstated to offer advice and guidance as part of the update of the review tracker.

The PCC Business Continuity Policy states that the owners of Business Continuity Plans should exercise plans biennially to ensure their accuracy, and that the Emergency Planning team can assist with this. The sample selected showed that 38% had informally tested their Business Continuity Plans as a result of the pandemic

Recommendation

1. The Director Customer and Digital Services should ensure that officers responsible for Business Continuity Plans adhere to the following:-
 - Business Continuity Plans, and their supporting paperwork, are reviewed and updated annually.
 - Updated Business Continuity Plans are circulated amongst staff, to ensure awareness of updates and responsibilities. Training is undertaken where appropriate.
 - Business Continuity Plans are formally tested, with the assistance of the Emergency Planning team, and a short report detailing outcomes and amendments is produced.

Risk Registers

The Civil Contingencies Act 2004 requires Category 1 responders (this includes Peterborough City Council) to maintain plans to ensure that they can continue to exercise their functions in the event of an emergency so far as is reasonably practicable. Therefore, it is essential that the Council can maintain its business processes. Business continuity planning is a key process to ensure that in the event of disruption PCC's activities and services can be recovered and resume.

In light of the importance placed on business continuity, inclusion in all risk registers would seem prudent.

Current Risk Registers show that many PCC departments make reference to emergency planning and business continuity, however it would be pertinent to make it a standing item so that it is always considered when assessing risks.

Recommendation

2. **The Director Customer and Digital Services should ensure that senior managers are aware of their responsibility for making business continuity planning a consideration when assessing risk on departmental risk registers.**

Conclusion & Opinion

There is currently limited support and guidance provided to departments from the Emergency Planning team regarding business continuity planning. This was initially due to the impacts of Covid and more recently staff shortages. This is being addressed within the ongoing Internal Audit review, and the EP Team are endeavouring to implement actions by November 2022.

The EP manager has also added two relevant issues to the Customer & Digital Services risk register as follows to highlight the operational difficulties presently being experienced:-

- There is a risk that the under resourcing in the Emergency Planning Team due to vacancy and budget constraints results in insufficient staff to test plans and audit plans across both councils.
- There is a risk that the BC plans have not been reviewed in the last 2 years which could mean they are significantly out of date based on new ways of working and use of technology. These need to be reviewed in light of new ways of working and team structures.

However, it is the responsibility of managers to ensure there are up to date Business Continuity Plans in place within their departments. It appears departmental reliance has been placed on the central team, and currently plans are not up to date. The ownership of responsibilities therefore needs to be reclarified to Managers. It is appreciated that due to the nature of the pandemic all teams will have had to adjust their ways of working, so many business continuity options are likely to have been tested as a result. This should assist the process in updating out of date plans and ensuring they are fit for purpose.

The audit opinion is Limited Assurance. This takes into account the outstanding recommendations made during the initial Council's Business Continuity arrangements review, delays in implementation as detailed within the introduction and limited documented plans evident within departments.