

APPENDIX A



**INTERNAL AUDIT MID-YEAR
PROGRESS REPORT 2024 / 2025
TO 30 SEPTEMBER 2024**

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 2024 / 2025 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. We will continue to appraise risk and refine our audit plans, therefore the audits we conduct may differ from the ones contained in this report.
- 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

69

2. **EXTERNAL WORK and OTHER DUTIES**

- 2.1 The Chief Internal Auditor is also charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council (PCC), and separate reports are provided to the Audit Committee for these areas. The CIA is also a director of Peterborough Limited.
- 2.2 Some audit staff also support the organisation in corporate initiatives such as job evaluation, Equality Diversity and Inclusion, Change Champions Group and elections.
- 2.3 Mechanisms are in place to mitigate any conflicts of interest in carrying out audit work in the above areas, by choosing staff independent of these roles to carry out and quality review audit work, or to outsource the work to an external provider of internal audit services.

3. **RESOURCES**

- 3.1 The Internal Audit Service is provided by an in-house team with an establishment of 6.1 full time equivalent (FTE) staff. The 2024 / 2025 Annual plan was, however, produced on the basis of 5.7 FTE. The reduction of 0.4 FTE represents the time spent by the Chief Internal

Auditor on his role of managing the Insurance function and the Corporate Investigations team, as well as his directorship role on the board of Peterborough Limited.

- 3.2 At the time of producing the 2024 / 2025 annual plan the team carried two Senior Auditor vacancies, and a recruitment exercise was underway. An assumption was made that any gaps in resources would be covered by utilising a call-off contract with an internal audit services provider. Thus the establishment was not reduced to take account of the vacancies.
- 3.3 Despite a difficult recruitment market, we were able to recruit two experienced and qualified auditors who started in early July. Unfortunately one has since left. The ability to fill the vacancy is limited due to the recruitment freeze and the need to make savings from our budget. We are currently reviewing the options for a graduate trainee, and considering the possibility of recruitment to the senior auditor post, both of which will have little impact on resources before April 2025/26.
- 3.4 RSM have been commissioned to undertake a number of works for PCC in recent months. These have included Peterborough Limited, Treasury Management and Programme Management. As part of the agreed contract framework, there is an agreement in place that this would be reviewed periodically based on the needs of the Council / IA service as well as the available budget. Subject to appropriate resources, we are expecting a review of Performance Management in Q4.
- 3.5 The table below shows the proportion of time spent to September 2024 on PCC audit work and other duties and highlights how that affects resource levels. The percentage of audit/non audit work is generally in line with budgeted figures.

	Posts		Impact of vacancies	Audit Work PCC	Other duties (see para 2.1-2)	Impact of other duties
	No.	FTE	FTE	%	%	FTE
Chief Internal Auditor	1.0	1.0	1.0	61	39	0.6
Group Auditor	2.0	1.6	1.6	93	7	1.5
Principal Auditor	1.0	0.5	0.5	100	-	0.5
Senior Auditor	2.0	2.0	0.8	100	-	0.8
Auditor	1.0	1.0	1.0	97	3	1.0
TOTAL	7.0	6.1	4.9			4.4

- 3.6 Sickness absence has also unfortunately had an impact on resources this year, reducing time available for audit and management activities.

4. **AUDIT PLAN PROGRESS SUMMARY**

- 4.1 A detailed commentary of the progress of the 2023 / 2024 Annual Plan is documented at **APPENDIX B**. The table below gives a summary of the status of all audit projects from the original plan. Those added are unplanned consultancy and investigatory work. Those removed are not achievable with the reduced resources. As the plan continues to be prioritised on an ongoing basis these figures may be subject to change.

	Original Plan	Added	Removed	Total
Complete	16	3		19
In Progress	25	3		28
Not Started	18		-11	7
Total	59	6	-11	54

- 4.2 There has been one finalised report with a **LIMITED** assurance rating to date. The executive summary of this report is attached at **APPENDIX C**. Audit Committee will be advised of any future reports falling within these categories as part of the audit committee timetable.
- 4.3 Agreed actions are followed up by Internal Audit. The results of follow-ups to date show that 5 actions have not yet been implemented (4 rated as high priority) and 20 are in progress (9 rated as high priority).
- 4.4 The original audit plan highlighted those audits that were not considered achievable within the currently available resource levels. **Appendix B** contains an amended version of this list, considering changes of priorities and the reduced level of resources. As new areas of work are identified through our assessment process it may result in other audit activities moving to the category of non-deliverable due to resources.
- 4.5 In previous years we have been able to gain assurance from the work of audit colleagues in Cambridgeshire County Council. With the uncoupling of many of the previously shared services between Cambridgeshire County Council and Peterborough City Council opportunities for this are minimal. We will review the Council's assurance framework and the output from other assurance bodies to establish whether there is an opportunity to reduce the coverage of Internal Audit.
- 4.6 Due to the nature of the work typically undertaken in the first part of the year including a high proportion of grant activities 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 2024 / 2025 audit plans.

5.0 **AUDIT STANDARDS**

- 5.1 In January 2024, the Institute for Internal Auditors (IIA) released new Global Internal Audit Standards (GIAS), which have replaced the former standards under its International Professional Practice Framework.
- 5.2 Since 2012 the UK Public Sector Internal Audit Standards (PSIAS) have been in place. These were derived from the standards developed by the IIA and other mandatory elements of the IIA's International Professional Practice Framework and were supplemented by additional requirements and interpretations to facilitate their implementation in the UK public sector.
- 5.3 The authority for setting internal audit standards in the UK public sector lies with a number of Relevant Internal Audit Standard Setters (RIASS), which for local government in the UK is the Chartered Institute of Public Finance and Accountancy (CIPFA). Guidance in this matter comes from the UK public sector Internal Audit Standards Advisory Board (IASAB) which consists of representatives from each of the RIASS, audit committees, internal audit practitioners, and the Chartered IIA. The RIASS have determined that the Global Internal Audit Standards issued by the Institute for Internal Auditors are a suitable basis for the practice of internal auditing in the UK public sector, subject to interpretations and additional requirements.
- 5.4 These interpretations are contained within the Application Note for the UK Public Sector (attached at **APPENDIX D**). A consultation has recently been undertaken and it is expected that these new standards will come into effect from April 2025.
- 5.5 In addition, CIPFA have released a draft Code of Practice for the Governance of Internal Audit in UK Local Government, to support authorities in establishing the 'essential conditions' required to support effective internal audit practice and to allow conformance with the GIAS. The Code is designed to work alongside new internal audit standards and replaces the organisational responsibilities set out in the Statement on the Role of the Head of Internal Audit (CIPFA, 2019). It is aimed at those responsible for ensuring effective governance arrangements for internal audit, including the audit committee and senior management of an authority. This document (attached at **APPENDIX E**) is also out for consultation with responses to be provided by 28th November 2024.
- 5.6 The Internal Audit team are currently reviewing the new GIAS alongside the draft Application Note and draft Code of Practice. We are planning the work that will be needed to bring our service into line with the standards, and it is expected that there will be a number of updates to our processes and documentation to achieve this.
- 5.7 The GIAS becomes effective from January 2025, but the IASAB have advised that compliance in the UK public sector can be from April 2025 when the Application Note comes into effect. This is the approach that we will take, whilst recognising it will take a period of time to fully embed new practices.
- 5.8 The standards require that Internal Audit teams are externally reviewed every 5 years. Ours is due and we intend to utilise a reciprocal arrangement with Cambridgeshire County Council to achieve this.

APPENDIX B

PROGRESS AGAINST AGREED AUDIT PLAN

Where audits are shaded, these represent those jobs not started at 30 September 2024.

AUDIT ACTIVITY	COMMENTARY
GOVERNANCE ACTIVITIES Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
Annual Audit Opinion	Completed - Annual Opinion 2023 / 2024 - presented to Audit Committee on 22 July 2024. Produce report detailing work carried out and Head of Internal Audit Opinion of Governance, Risk and Control, in accordance with PSIAS.
Annual Governance Statement Review	In Draft – A working group, including the CIA, has produced a draft which was reported to Audit Committee on 22 July 2024. Corporate Leadership Team to take responsibility for any further amendments if required prior to finalisation of Statement of Accounts. To date there has been no amendments.
Annual Investigations Report	Completed Annual Report 2023 / 2024 - presented to Audit Committee on 22 July 2024.
Mid-Year Audit Progress Report	Completed Annual Audit Progress Report 2023 / 2024 being presented to Audit Committee at this meeting, on 25 November 2024.
Internal Audit Effectiveness	In Progress Review of the Internal Audit service against the new Global Internal Audit Standards and the linked Application Note and Code of Practice for the Governance of Internal Audit (see section 5).
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.
Board Attendance	Ongoing Membership and attendance at the Risk Management Board and Information Governance Strategic board.

AUDIT ACTIVITY	COMMENTARY
GOVERNANCE ACTIVITIES Provision for Governance and Anti-Fraud activities that are not subject to risk assessment	
National Fraud Initiative	In Progress Audit work continues in relation to the 2024 round of data matches which include reviews such as blue badge cases, payroll, payments, benefit / council tax, right to work etc. All relevant data has been uploaded and reports are due back in February 2025 for review.
Fraud/Compliance activities	In Progress <ul style="list-style-type: none"> • Investigations into alleged fraud or irregular activities are detailed as individual reviews. • Review of fraud policies and strategy
Corporate Governance and Assurance Framework	In Progress An overarching review of the organisations assurance framework was undertaken to support the Annual Audit Opinion and was presented at Audit Committee on 22 July 2024. Review work will continue throughout the year to develop further and to ensure current.
Annual Audit Planning and monitoring	To commence quarter 3 Establishment of the future plans for 2025 / 2026, including a review of the Strategy, Charter and Code of Ethics in line with the new Global Internal Audit Standards. Emerging Themes to be reported to committee in February 25, and full Annual Plan in July 25.
Follow-up	A number of follow-ups have been completed or are underway including: <ul style="list-style-type: none"> Care and Repair Contract Climate Change PCI Compliance Teacher's Pensions Drug and Alcohol Treatment Contract Car Leasing Scheme Mayor's Charities Energy Management

AUDIT ACTIVITY	Status	Dept	Assurance Level	COMMENTARY	Priority
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 few jobs will overlap between financial years and require some time to complete.					
CARRY FORWARD from 2023/2024					
Treasury Management	Draft Report	CS	Limited	A review of arrangements covering the documented framework in place, as well as cash flow forecasting, bank mandates, investments, and borrowing arrangements. Seven recommendations were made (3 high, 2 medium and 2 low). Carried out by our external Internal Audit Services provider, RSM	H
Peterborough Ltd	Final Report	PE	N/A	A business review was commissioned on behalf of the Council to supersede the two audits in the 2023/24 audit plan due to a change in business priority. The scope included a strategic review of contractual arrangements along with financial and operational performance. As this is not an Internal Audit, no assurance opinion has been given, however a number of recommendations were made for both the Council (9) and Peterborough Ltd (10), which Internal Audit will track. Carried out by our external Internal Audit Services provider, RSM due to the conflict of interest created by the CIA acting as a Director on the board of Peterborough Ltd.	H
ERP Programme	In Progress	CS	N/A	Consultancy advice during the implementation of a new Payroll and HR system	H
Car Leasing Scheme	Final Report	CS	Limited	A review of the policies and processes in place to manage financial and contractual arrangements, including where employees leave the Council. 11 recommendations made (3 high, 5 medium, 3 low).	Mgmt request

AUDIT ACTIVITY	Status	Dept	Assurance Level	COMMENTARY	Priority
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 few jobs will overlap between financial years and require some time to complete.					
INVESTIGATIONS					
City College	Draft Report	PE	N/A	A planned audit of governance arrangements was subsequently extended to incorporate a detailed review of specific operational activities arising from an internal investigation. An independent investigator was appointed to review the HR aspects, and a report was produced by them with input from Internal Audit. An Internal Audit report was also produced, and this is currently at draft stage due to ongoing activities, however recommendations are being progressed by the organisation, including the legal team, to establish the present position.	H
CONSULTANCY					
Document Review	Complete	CS	N/A	A management request to assist in the validation of documents being prepared for Employment Tribunals.	Mgnt request
Hilton Hotel Proposals	Complete	CS	N/A	An overview of the decision-making process to ensure appropriate steps have been taken, including verification of figures.	Mgnt request
Erroneous Payments Receivable	Complete	CS	N/A	Verification of the processes followed for a high value refund in the case of a payment made to the Council in error.	Mgnt request

AUDIT ACTIVITY	Status	Dept	Assurance Level	COMMENTARY	Priority
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	Complete	PS	Certified	Non-ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.	N/A
Integrated Transport Grant	Complete	P&E	Certified	A DfT scheme via the CPCA to help local authorities cut carbon emissions and create local growth.	N/A
Highways Maintenance	Complete	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	N/A
Pothole Action Fund	Complete	P&E	Certified	A capital funded DFT grant via the CPCA to support pothole repairs.	N/A
Supporting Families	Ongoing	CYP		Payments by results scheme. Requirement to audit 10% of the claims for every submission. Claims are reviewed monthly.	N/A
Rough Sleeper Initiative	Complete	P&E	Certified	Funding received from the DLUHU in relation to rough sleeper initiative funded services. Links to the Drugs and Alcohol Treatment Programme.	N/A
NEW! Single Homelessness Accommodation Programme (SHAP)	Complete	P&E	Certified	An arrangement between the audit teams of PCC and two other councils to provide the independent certification required for this Homes England Funded grant.	N/A
NEW! Peterborough Accelerated Net Zero (PANZ)	Complete	P&E	Certified	Funding from Innovate UK to deliver a range of net zero plans.	N/A
Contain Outbreak Management Fund (COMF)	Complete	PH	Certified	A grant from UKHSA that was originally awarded during COVID and then extended both in time and criteria for spend. This is the final certification.	N/A

Traffic Signals	Complete	PH	Certified	Traffic Signal Obsolescence Grant and Green Light Fund allocations - a £30 million national fund to upgrade traffic signal systems, replacing unreliable and obsolete equipment to improve reliability.	N/A
Mayors Charity Fund	Not started	L&G		Independent examination of the Mayor's Charities' accounts, in line with the Charity Commission's requirements.	N/A

AUDIT ACTIVITY	Status	Dept	Assurance Level	COMMENTARY	Priority
Planned Audits					
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					
Health and Safety	Not started	CS		Monitor/review the implementation of actions from a recent external review of Health and Safety.	H
Performance Management	Not started	CS		Review of Performance Management Framework and KPI assurance, including development of VFM KPIs and links to Service Planning. Being carried out by an external provider.	H
Programme Boards	In Progress	CS		A review of governance arrangements of the Programme Boards introduced as a result of business improvement programmes. Being carried out by our external Internal Audit Services provider, RSM.	H
Financial Operating Framework	In progress	CS	N/A	Internal Audit were consulted during the development of revised Financial Rules, and will be involved in any future updates to the Contract Standing Orders as a result of the new Procurement Act.	H
External Organisations - Governance	Not started	CS		An overarching review of the governance of external organisations to ensure investments are protected and contracts are managed appropriately.	H
Emergency Planning	Not started	PE		Monitor the implementations of actions from past Internal Audits of Business Continuity, and review the management of this shared service.	H
Investment Strategy	Fieldwork	CS		A look at how decisions in respect of investments are assured in terms of returns on and protection of those investments.	H
Quality Assurance	Fieldwork	AS/ CYP		Review of the arrangements that ensure key safeguarding risks are mitigated through appropriate monitoring of practice.	H

Temporary Accommodation / Homelessness	Fieldwork	PE		A review of the purchase and management of homes used to support homelessness.	H
Building Control	Fieldwork	PE		Evaluate how management obtain assurance that processes are followed correctly and completely to ensure Health and Safety risks are mitigated.	H
Declaration of Interests	Reporting	All		A review of the process that ensures directors, members and staff make appropriate declarations of interest and that these are documented and reviewed.	H
Contract Management	Planning	Various		Review of the arrangements for managing contracts shared with Cambridgeshire County Council following de-coupling, predominantly within Public Health, Children's and Adult's Services and ICT.	H
Income and Debt Management	Not started	AS		A review of income generation (to ensure all charges billed accurately) and debt management (to ensure effective collection of debt) arrangements.	H
New! Whistleblowing Policy	In Progress	CS	N/A	An evaluation of policy and procedures for managing and investigating whistleblowing claims. This was previously identified as a review that was not achievable within planned resources.	H
New! Staff Induction Policy	In Progress	CS	N/A	An evaluation of the policy for the induction of new staff. This was previously identified as a review that was not achievable within planned resources.	H
Direct Payments	Fieldwork	AS		Process review to ensure payments are being made accurately and efficiently and spend is monitored.	H
Starters, Movers and Leavers	Fieldwork	CS		A review of the management of the movement staff in terms of access to IT systems and financial resources, custody of assets and building access.	H
S106/CIL	Fieldwork	PE		Review of arrangements that ensure the allocation and spending of monies held is effective and meets corporate objectives.	H
Risk Management	In progress	CS		Critical friend role during development and implementation of new strategy, policy and procedures. Review of compliance at year end when embedded.	H

AUDIT ACTIVITY	STATUS	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Prioritised Audits no longer achievable with reduced audit 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.				
Procurement and Contracting	Not started	CS	Critical friend role during development of Procurement Strategy, Commercial Strategy, Contract Management Standards and implementation of Procurement Act 23.	H
Project Management	Not started	All	Two projects will be chosen to look at their management and benefits realisation. (eg Towns Fund/Station Quarter)	H
Peterborough Investment Partnership	Not started	PE	A review of governance arrangements.	H
School Reviews	Not started	CYP	Review of two of schools to incorporate arrangements such as governance, budgetary control and contract tendering, H&S, Cyber security.	H
ICT Disaster Recovery	Not started	CS	Arrangements for recovery from an IT incident/event to ensure security and continuity of IT systems.	H
Financial Resilience	Not started	CS	Annual review (with Risk Manager) of self-assessment against CIPFA Financial Management Code	H
Contracts	Not started	All	Three contract audits have been removed. The plan now contains one overarching review of arrangements for contracts shared with Cambridgeshire County Council.	H
HR Policies	Replaced	CS	Consultancy advice during review of all HR policies and development of new HR manual, has been replaced with specific reviews of the Whistleblowing policy and Staff Induction process.	H

AUDIT ACTIVITY	STATUS	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Prioritised Audits – not achievable with original planned 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.				
Peterborough Limited	Not planned	PE	Dependant on the outcome of the current overarching review of governance, a deeper dive into any specific areas highlighted for review.	H
Shared Service Arrangements	Not planned	All	Following de-coupling, ensure there are appropriate arrangements operating to manage remaining shared services and any shared contracts.	H
Housing Needs	Not planned	PE	A review of the arrangements for awarding loans, suitability of repayment plans and debt management.	H
Accounts Payable	Not planned	CS	A system review of this financial system and associated processes.	H
IT System Developments	Not planned	CS	Control advice during the development of new and upgraded IT systems.	H
Pre-Payment Cards	Not planned	AS	A review of the arrangements for managing disbursements in respect of appointeeships, including the operation of the contracts.	M
Leased Estate Management	Not planned	CS	A review of the management of property that PCC leases out for residential and commercial purposes.	M
Statutory Nuisance complaints	Not planned	PE	A review of the process for handling statutory nuisance complaints in light of service demand. Approach needs to reflect service capacity, opportunity to identify a new process that is fit for purpose for the future.	M
Licensing Applications	Not planned	PE	A review of the management of applications and complaints in relation to Licensed Premises.	M

AUDIT ACTIVITY	STATUS	DEPT	OUTLINE AUDIT SCOPE	PRIORITY
Prioritised Audits no longer achievable with reduced audit 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.				
Procurement and Contracting	Not started	CS	Critical friend role during development of Procurement Strategy, Commercial Strategy, Contract Management Standards and implementation of Procurement Act 23.	H
Domestic Abuse cases	Not planned	PE	A review of the management of these in relation to homelessness presentations	M
Housing Register Applications	Not planned	PE	Audit of Housing Register Reviews to evaluate accuracy against criteria.	M

DEPARTMENTS	
CS	Corporate Services
Cex	Chief Exec
L&G	Legal and Governance
AS	Adults Services
CYP	Children's and Young People Services
PE	Place and Economy
PH	Public Health

Appendix C**FINAL AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

AUDIT ACTIVITY	ASSURANCE RATING	DATE OF FINAL REPORT	DATE TO AUDIT COMMITTEE
Car Leasing Scheme	Limited	June 2024	25 November 2024

Car Leasing Scheme

1.0 Introduction and Background

- 1.1 As part of a suite of employment benefits provided to officers, the Council has in place a Staff Benefit Car Leasing Scheme. The Scheme is designed to provide a lease car from national suppliers, normally for a period of 2 – 3 years. The scheme utilised / provided is through NHS Fleet Solutions, overseen by Northumbria Health Care NHS Trust. The various leasing companies are separate to this, dependent on the vehicle obtained.
- 1.2 A number of individual cases have been identified which have resulted in potential additional costs to the Council, over and above the initial levels which are recoverable from the employee. Internal Audit have been asked to review the scheme, comment on its robustness and make recommendations as to whether it should continue or cease.

2.0 Scope and Objectives

- 2.1 The review was to establish:
- The legal framework in place for the scheme;
 - The process followed for acceptance to the scheme, through to ongoing payment;
 - Escalation procedures should employees cease employment with the Council;
 - Collection arrangements for vehicles, termination fees and where the risk lies; and
 - Suggested improvements.

3.0 Main Findings

- 3.1 In normal circumstances, the scheme works as expected with monies collected / paid out in line with the contracts. Employees repay in line this and vehicles are recovered as necessary. There is an expectation that the scheme is followed but the three exceptions identified within the audit findings fall outside those parameters and are not covered as to how they should be resolved.
- 3.2 The overarching process fails due to an increased burden placed on PCC. There is limited incentive for the external provider to resolve anomalies on early termination as they will have already been paid. Increased administration impacts on PCC and this is not seen to be in the right areas of the business. With additional time undertaken to resolve a small number of cases, there is additional cost to PCC. Consideration should be given to recouping some of this through a separate levy as part of the annual lease charge. It is unfortunate that the majority of employees diligently follow the guidelines and pay in line and would have a small surcharge levied to cover for the minority, nevertheless it would be prudent to also protect PCC.
- 3.3 On average the reward function within the HR team spends 3-4 hours per week on lease cars administration with the majority of time being spent on debt related cases. Activities includes:

- Authorising the applications / downloads contracts;
- Raising requisitions for Purchase Orders in Unit4ERP Agresso;
- Responding to queries in relation to each lease or chase budget managers;
- Monitoring delivery dates and receipt as appropriate, leading to the creation of the annual receipt thereafter;
- Receipting monthly for any vehicles in lease extension;
- Promoting scheme / maintain car lease information on Insite, attend liaison meetings with Fleet Solutions, Finance and / or Payroll; and
- Year-end works as part of the closure of accounts for Finance; and
- Ongoing answer queries to correct anomalies if applicable.

3.4 Payroll (Serco) on average spend 2-3 hours a week on car leases with activities including:

- Validation of the application, checking eligibility under the scheme, download documents, and inputting details on to the Payroll spreadsheet;
- Download status / Payroll reports each month;
- Create / amend employee deductions as appropriate;
- Monitor change in circumstances which may impact on deductions e.g. maternity leave, sickness or change of hours;
- Raise queries with Fleet Solutions
- Look to answer / resolve any employee queries in relation to payments etc.; and
- Raise invoices in relation to leavers or existing employees with debts.

3.5 The contract in place should be reviewed to ensure that there is parity in terms of the financial burden and a decision then taken to either replace the arrangements with a cost neutral approach removing the onus on PCC or to cease altogether and wind the scheme down for existing users. The current contract is in place to March 2026 and Internal Audit have not reviewed the contract to understand if there are any contract obligations in keeping it open or can be terminated early. From a simple benchmarking exercise undertaken by Internal Audit, of 67 Unitary Councils who responded, only 11 confirmed that they still had a lease scheme in place. Further information has been requested to establish who these are with and how they are administered etc.

3.6 While not the subject of this review, PCC has a separate salary sacrifice scheme through Vivup for smaller purchases and this should also be reviewed to ensure that this meets best practice and protects PCC.

4.0 Audit Conclusion

4.1 The audit opinion is **Limited Assurance**.