



**HEAD OF INTERNAL AUDIT  
ANNUAL AUDIT OPINION  
2010 / 2011**

**ANNUAL REPORT**

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## 1. INTRODUCTION

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit Committee and the Director of Strategic Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic efficient and effective use of resources. Internal Audit is part of the Strategic Resources Directorate. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year.

1.2 The purpose of this report is to meet the Head of Internal Audit (HoIA) annual reporting requirements set out in the CIPFA <sup>1</sup>Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Code advises at Paragraph 10.4 that the report should:

- Include an opinion on the overall adequacy and effectiveness of the organisation's internal control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Summarise the audit work undertaken to formulate that opinion, including reliance placed on work by other assurance bodies;
- Draw attention to any issues the Head of Internal Audit (or equivalent) judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare the work actually undertaken with the work that was planned and summarise the performance of the Internal Audit function against its performance measures and criteria; and
- Comment on compliance with these standards and communicate the results of the Internal Audit quality assurance programme.

1.3 The Code of Practice also states at Paragraph 10.4.1 that:

*“The Head of Internal Audit should provide a written report to those charged with governance timed to support the Annual Governance Statement”.*

Therefore, in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Authority in meeting the requirement of Regulation 4 of the Accounts and Audit Regulations 2011.

<sup>1</sup> CIPFA – Chartered Institute of Public Finance and Accountancy

## 2. **THE AUTHORITY FOR INTERNAL AUDIT**

2.1 The requirement for Internal Audit is driven from a number of items of legislation, namely:

- Local Government Act 1972 Section 151; and
- Accounts and Audit Regulations 2011.

### 2.2 **Local Government Act 1972 Section 151**

*“Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”*

The Council’s Constitution formally nominates the Executive Director of Strategic Resources as the authority’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the authority’s financial systems are operating satisfactorily.

### 2.3 **Accounts and Audit Regulations 2011 Section 4 – Responsibility for Financial Management**

*“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.*

*“The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control and shall include an Annual Governance Statement, prepared in accordance with proper practices with (a) any statement of accounts it is obliged to prepare in accordance with regulation 7, or any accounting statement it is obliged to prepare in accordance with regulation 12”.*

### 2.4 **Accounts and Audit Regulations 2011 Section 6 – Internal Audit**

*“The relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of the relevant body must, if the body requires (a) make available such documents and records as appear to that body to be necessary for the purposes of the audit; and (b) supply the body with such information and explanation as that body considers necessary for that purpose.*

*A large relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review referred must be considered, as part of the consideration of the system of internal control referred to in regulation 4, by the committee or body referred to in that paragraph.*

2.5 This is supported by the Council's Financial Regulations, which reflects Internal Audit's statutory authority to review and investigate all areas of the Council's activities in order to ensure that the Council's interests are protected. The Terms of Reference for the Audit Committee adequately meets the requirements of the Accounts and Audit Regulations in relation to the Annual Governance Statement.

2.6 The review of Internal Audit referred to in paragraph 2.3 has been conducted and included within this report.

### 3. **THE SCOPE OF INTERNAL AUDIT**

3.1 *"Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".*

(Definition of Internal Audit: CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006).

3.2 The **control environment** comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- Establishing and monitoring the achievement of the organisations objectives;
- The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage the risk in a way appropriate to their authority and duties;
- Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- The financial management of the organisation and the reporting of financial management; and
- The performance management of the organisation and the reporting of performance management.

(Source: Statement of Internal Control in Local Government – Meeting the Requirement of the Accounts and Audit Regulations 2003 (CIPFA 2004)

3.3 **Controls** ensure that the processing procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded, completeness and accuracy of records are secured and identifies and corrects when something has gone wrong.

(Definition of Controls: CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006).

3.4 In order to ensure the ongoing effectiveness and accountability of the service, an annual report is provided to Members, which details Internal Audit activity in the previous financial year.

**4. REVIEW OF INTERNAL CONTROL**

**4.1 Opinion 2010 / 2011**

The Code of Practice for Internal Audit in Local Government in the UK 2006 states that the HoIA must provide a written report to those charged with governance timed to support the Statement on Internal Control (now the Annual Governance Statement). This report must include an opinion on the overall adequacy and effectiveness of the organisation’s control environment, presenting a summary of how that opinion is derived including reliance placed on work by other assurance bodies.

The internal control environment is fundamentally well established and continuing to operate well in practice even though 2010 / 2011 has been a challenging year for the organisation. There have been instances where the control environment was not strong enough or complied with sufficiently to prevent significant risks to the organisation. The area of most concern in the year has been in relation to payment processes and Internal Audit has been working closely with management in both these areas to improve key controls. Audit reports relating to these issues have been reported to Audit Committee during the year.

The overall conclusion is that Peterborough City Council has a **sound governance framework** from which those charged with Governance can gain reasonable assurance. Internal Audit has made a number of recommendations to further improve the systems of control and the organisation is actively working to make improvements in these areas. Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice although there are some areas where improvements are necessary.

*However, no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.*

The Assurance - Internal Control	⇒	Our overall opinion is that internal controls within financial systems operating throughout the year are <b>sound</b> , other than those reviews assigned "Limited or No Assurance". As a result, it is concluded that <b>reasonable assurance</b> can be provided.
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**4.2 How Internal Control is Reviewed**

Internal Audit continues to embrace the risk assessment approach to audit. During the course of the year the risks of the Authority has been continually challenged and used to form the basis of Internal Audit’s operational plan for the coming year. The review process draws on key indicators of risks to the organisation and attempts to ensure that suitable audit time and resources are devoted to review the more significant areas. The audit plan contains a contingency provision that is utilised during the year in response to unforeseen work demands

that arise. This risk based approach to audit planning results in a detailed range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:

- Corporate governance reviews, including a review of key assurance frameworks and the Annual Governance Statement;
- Risk based reviews of fundamental financial systems that could have a material impact on the accounts, and other departmental systems;
- Fraud strategy work, responsive fraud and irregularity investigations;
- Contract, procurement, performance and project audits;
- Audits of Council establishments.

There are three elements to each internal audit review. Firstly, the control 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 the control environment. However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to form a view on the extent to which the control environment, designed to mitigate risk, is being complied with. Finally, where there are significant control environment weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses. To improve consistency in audit reporting, the following definitions of audit assurance are used for all systems and governance audits completed.

<b>AUDIT ASSURANCE</b>	
<b>Assurance</b>	<b>Definitions</b>
Full	The system is designed to meet objectives/controls are consistently applied that protect the Authority from foreseeable risks.
Significant	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
Limited	There are weaknesses in the design of controls and / or consistency of application, 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	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. 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.

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
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

## 5. BASIS OF HEAD OF INTERNAL ANNUAL OPINION

### 5.1 Background

The opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan for 2010 / 2011, including an assessment of the Council's corporate governance and risk management processes. 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 with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. This programme of work is outlined in **Appendix A**. Our opinion is limited to the work carried out by Internal Audit based upon the strategic Internal Audit Plan. Where possible we have considered the work of other assurance providers, such as External Audit.

5.2 The audit work that was completed for the year to 31 March 2011 is listed in **Appendix A**, which lists all the audits and their results in terms of the audit assurance levels provided and the number of recommendations made. The level of assurance achieved on the systems audited is detailed below. This shows that **68%** of the systems audited achieved an assurance level of significant or higher, compared to **52%** last year. This shows a good increase in the year which has been primarily due to the improvement in school assurance levels as they have been reassessed for the Financial Management Standard in Schools. This demonstrates that controls are becoming more embedded into daily processes.



AUDIT ASSURANCE				
Assurance Levels	Issued		%	
	2010 / 2011	2009 / 2010	2010 / 2011	2009 / 2010
Full	2	2	4.0	4.0
Significant	32	27	64.0	47.5
Limited	13	23	26.0	40.0
No	3	5	6.0	8.5
	<b>50</b>	<b>57</b>	<b>100.0</b>	<b>100.0</b>

RECOMMENDATIONS MADE		
	Numbers	
	2010 / 2011	2009 / 2010
Low	87	103
Medium	157	209
High	78	140
Critical	5	5
	<b>327</b>	<b>457</b>

5.3 A complete list of the audits and assurance ratings can be found in **Appendix A**. Recommendations to take corrective action were agreed with management and we will continue to monitor during 2011 / 2012 to confirm that they have been effectively implemented.

5.4 **Corporate Governance and the Annual Governance Statement**

In June 2007 CIPFA, in conjunction with the Society of Local Authority Chief Executives (SOLACE), published Delivering Good Governance in Local Government: Framework. The Department for Communities and Local Government has determined that this guidance represents proper practice. Consequently, the Audit Committee should seek assurance that this guidance has been followed to compile the Annual Governance Statement (AGS). To help the Committee gain that assurance and to give some independent assurance that the AGS is free from material misstatement Internal Audit undertakes reviews of the key corporate governance systems.

Using the proper practice guidance issued by CIPFA as the basis, Internal Audit reviews the corporate governance evidence framework to confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

The AGS contains a number of assurances and opinions on the actual operation of the internal controls from Directors / Heads of Service and Internal Audit has placed reliance on these assurances in arriving at the opinion that policies, procedures and systems are in place for corporate governance to be effective within the Council. Directorate assurances on the adoption of, and compliance with, the corporate governance framework and their system of internal control would significantly enhance the assurance framework and provide further evidence to the Committee when challenging the AGS. In order to provide the Head of Audit with evidence, and the Committee with some additional independent assurance, that corporate governance controls are working in practice Internal Audit reviews the adequacy of central controls in key areas. Although Internal Audit has made a number of recommendations to further improve the systems of control the overall conclusion is that Peterborough City Council has a sound Governance Framework that those charged with Governance can gain assurance from, although there are some areas where improvements are urgently needed.

5.5 **Key Financial Systems**

An annual review of the authority’s key financial systems is undertaken to provide evidence supporting the internal audit opinion on the adequacy of the organisation’s control environment. As in previous years, the key financial systems subject to audit were agreed in advance with the authority’s external auditors – PricewaterhouseCoopers - as they review this work and use this as a key source of assurance on the organisation. PricewaterhouseCoopers have reviewed our work on key financial systems and confirm that it meets their requirements in terms of timeliness, quality and supporting evidence.

Audit coverage during the year has provided sufficient evidence to conclude that the key financial control systems are sound and that, in the main, these controls continue to work well in practice although there are some areas, where improvements are necessary. In all cases an action plan has been agreed with the appropriate officers that, if implemented, will give substantial control environment assurance.

The Assurance - Financial Systems	⇒	Our overall opinion is that internal controls within financial systems operating throughout the year are <b>fundamentally sound</b> , other than those reviews assigned "Limited Assurance".
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5.6 **Other Reviews**

**Appendix A** provides a summary of other reports issued during the year. Areas of concern that have been raised during the year where limited assurance has been given relate to 13 audits. These cover areas such as

- Accounts Payable – Central Controls;
- Energy Payments;
- Asylum and Immigration Act;
- Purchasing Cards;
- Leaving Care Imprest Accounts;
- Future Jobs Fund and Migration Impact Fund;
- Seven school FMSiS reviews

Throughout the year Internal Audit provide executive summaries of audit reports where assurance ratings are either No or Limited Assurance. Reports that fall into this category for the final quarter of 2010/11 are detailed within **Appendix B** of this report. At the year end a number of reviews were in various stages of completion. Audit opinions relating to these will be reported during 2011/12 as part of the agreed performance reporting timetable to the Audit committee.

## 5.7 External Activities

Internal Audit have undertaken reviews on behalf of other organisations. These have generated additional funds for the Council. The nature of the works undertaken are confidential between us and the client and are not included within the details below. However, our clients have included:

- Vivacity Leisure Trust;
- Programmed work with Huntingdon District Council (HDC) did not take place during 2010 / 2011 due to a change in staff arrangements at HDC. However, an agreement is due to be formed during 2011 / 212 to facilitate and future requests for work; and
- In addition to the above funding has been received to support the Financial Management in Schools external assessments work that was conducted prior to the cessation of the initiative.

## 5.8 Allegations of Fraud and Irregularity

The team has continued to work with the Governance Team on cases of suspected fraud where appropriate. In addition to this, Internal Audit has assisted the Governance Team in the production of pro-active fraud data with the use of IDEA, a data interrogation software package. There is a separate report to this committee covering fraud.

## 5.9 Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment which includes consideration of any significant risk or governance issues and control failures which arise. No governance issues were raised as part of the audit work.

In addition, 5 critical recommendations were made in audit reports (compared to 5 in the previous year) which required immediate attention. These related to the audits of:

- Youth Offending Service; and
- Childrens Services: Whistleblowing Allegation (Chi2120-02)

## 5.10 Key Issues

There is a range of key issues that are likely to be of significance for 2011 / 2012 and beyond, which Internal Audit needs to be aware of. These include:

- the current economic climate which adds to the financial pressures already on the council. This is impacting on income and expenditure as well as the public's needs for council services;
- the impact on funding (DSG settlement) with regard to savings required over future years; and
- the management and governance arrangements with regard to externalised or partnership working.

## 6. INTERNAL AUDIT PERFORMANCE 2010 / 2011

### 6.1 Major Achievements During 2010 / 2011

The major achievements of Internal Audit for 2010 / 2011 are as follows:

- Achievement of the Revised Internal Audit Plan as agreed with key stakeholders;
- 100% of high and critical audit recommendations have been accepted;
- Customer feedback remains very positive with continued high levels of satisfaction demonstrated from our customer questionnaires in excess of our target;
- Annual reports, audit plans and regular progress reports presented to Members via the Audit Committee;
- The Annual Governance Statement was produced in accordance with agreed timescales and reviewed by External Audit without any adverse comments;
- Internal Audit services have been provided to external customers and positive comments received regarding the reviews undertaken;
- Successful conclusion of a number of irregularity and unplanned investigations;
- The creation of a shared service arrangement with Cambridge City Council which was look to deliver efficiency savings, improved performance and ultimately look to expand the business.

## 6.2 Ensuring Quality

Internal Audit is committed to delivering a quality product to the highest professional standards that adds value to our customers. We actively monitor our performance in a number of areas and encourage feedback from customers. All our work is undertaken in accordance with our quality management system. A customer satisfaction questionnaire is issued with every audit report. The questionnaires ask for the auditees opinion on a range of issues and asks for an assessment ranging from 5 (for excellent) to 1 (for poor). The results are based on the percentage of those assessments that are 3 (satisfactory) or above. The results of the questionnaires are reported to the Audit Management Team and used to determine areas for improvement and inform the continuing personal development training programme for Internal Audit staff. Analysis of the returned surveys highlights consistently high 4 and 5 scoring for the 'overall conclusion of the audit undertaken' which demonstrates value is being gained by the organisation.

These results are again extremely encouraging, particularly as the nature and complexity of work undertaken by Internal Audit continues to change. The Council is continually developing more robust systems for identifying and evaluating the significant risks to their objectives. Internal Audit is expected to give a number of assurances on the internal control environment to both internal and external clients not just on financial but operational, service and reputational risks. The staffing skills and resources within Internal Audit are continually adapting to these changes.

Internal Audit is a professional discipline and as such it is desirable that all staff should have an appropriate qualification or be undertaking training to gain such a professional qualification. All of our staff are either professionally qualified or have qualifications appropriate to the roles undertaken. This professional training approach is being actively enhanced by both in-house training and individual officers undertaking Continuing Professional Development in their own time. This investment in staff will continue to result in even better audit performance in future years, ensuring that the Section will be able to react positively to the changing demands being placed on the audit profession.

## 6.3 Continuing Professional Development

In a rapidly changing environment it is important that all Internal Auditors are kept abreast of the latest audit and accounting methodologies, changes in legislation and best practice as well as changes to the public sector arena so they have the necessary skills and knowledge to perform their role to a high standard. This is done via Continuing Professional Development (CPD) which the Section continues to support and promote. During the period a number of in-house training courses have been provided covering key developments in the profession and within the sector. In addition, external CPD events such as CIPFA seminars and IIA events continue to be well attended by Internal Audit staff. The Code of Practice for Internal Audit in local Government in the UK 2006 states that Internal Audit staff have a personal responsibility to undertake a programme of CPD to maintain and develop their competence. At Peterborough, evidence of professional training and development activities must be retained and individual / group training needs identified. Much of this CPD is done in officers own time showing a personal commitment to continual improvement of the Team.

## 6.4 Performance Indicators

All our performance indicators are documented within **Appendix C**. Key areas to note are:

### *Better than target*

- Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score was 4.5 against a target of 3.75 (the highest score being 5), reflecting the high opinion our audit clients have of auditor conduct and the quality and usefulness of reports. This score is consistent with 2009 / 2010 results.
- An average of 6.25 days training has been provided to each auditor, compared to a target of not less than 5 days. This includes 'on the job' training, training for professional qualifications, audit technical update seminars and internal training such as the Leadership Programme. In addition, Chief Internal Auditors from each local authority in Cambridgeshire staged an 'Away Day' for all auditors in November. This was to share ideas and best practice across the county. Similarly a group training session was arranged with Cambridge City Council as a result of the shared service arrangement to look at working processes. A further session has been organised for 2011/12.
- 100% of critical and high recommendations made were agreed, reflecting the high quality of audit reports.
- The length of time from completion of field work to issue of a draft report is above target at 8.5 days and therefore shows good improvement in reducing the amount of time to issue draft reports.
- The number of compliments received has exceeded our annual target and helps to demonstrate that Internal Audit are adding value to the business in the planning and delivery of the reviews undertaken.

### *On Target*

- Internal Audit continues to deliver reviews professionally. No adverse feedback during the year relating to complaints.

### *Areas for improvement*

- 89% of critical and high recommendations were implemented (target 100%). This is slightly lower than 91% last year. The lack of 100% implementation is primarily due to differing priorities of staff during a time of change, especially where service delivery methods are being altered, or where staff restructuring has occurred as the recommendations had been originally accepted.
- An average of 22.84 days sickness per person was lost during the year, compared to a target of 5 days. However this is an improvement from the previous year where sickness levels were 37.34 per person. There have been two officers on long term sickness (LTS) within the team which has been actively managed in accordance with the Council's Attendance Policy and through Occupational Health. Both officers have now returned to work and are working to contracted hours. Sickness levels per person excluding the LTS cases equate to 5.97 days per person which is slightly above target range but 50% of this time is as a result of pregnancy related absence. This situation has also impacted on the teams ability to deliver the planned number of audit days against the original audit plan.

**APPENDIX A**

**ASSURANCE LEVELS AND RECOMMENDATIONS 2010 / 2011**

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>SYSTEMS ACTIVITY FINANCIAL SYSTEMS: MANAGED AUDIT</b>	<b>To review the design and operation of key systems to assess whether they are fit for purpose and allow the s151 officer to make his statement included in the Annual Accounts, on the reliability of the supporting financial systems. The fundamental systems - those which are critical to the operation of the council - are reviewed annually; others will be reviewed periodically dependent on risk.</b>										
Main Accounting / Financial Accounting	Strategic Res					-	-	-	-	-	Removed from plan – reliance placed on PwC as part of final accounts
Accounts Payable	Strategic Res					-	-	-	-	-	At review stage
Sundry Billing	Strategic Res					-	-	-	-	-	Removed from plan
Debt Recovery	Strategic Res					-	-	-	-	-	Deferred until 2011 / 2012
Housing and Council Tax Benefits	Strategic Res		x			2	-	-	-	2	Final issued
Council Tax	Strategic Res		x			2	1	1	-	4	Draft issued
Business Rates	Strategic Res		x			2	3	1	-	6	Draft issued
Cash / Banking	Strategic Res					-	-	-	-	-	Removed from plan
Budgetary Control (Capital)	Strategic Res					-	-	-	-	-	At draft review stage
Treasury Management	Strategic Res					-	-	-	-	-	Removed from the plan
Payroll	Strategic Res		x			5	6	-	-	11	Draft issued
Fixed Asset Accounting	Strategic Res					-	-	-	-	-	Memo issued No further action until migration of data onto asset management system

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>SYSTEMS ACTIVITY FINANCIAL SYSTEMS: MANAGED AUDIT – Unplanned reviews 2010/11</b>											
Youth Offending Service – Imprest Account	Strategic Res		x			3	-	-	-	3	Memo issued
<b>SYSTEMS ACTIVITY FINANCIAL SYSTEMS: MANAGED AUDIT – Rolled forward from 2009/10</b>	<b>To review the design and operation of key systems to assess whether they are fit for purpose and allow the s151 officer to make his statement included in the Annual Accounts, on the reliability of the supporting financial systems. The fundamental systems - those which are critical to the operation of the council - are reviewed annually; others will be reviewed periodically dependent on risk.</b>										
Benefits 2009	Strategic Res		x			1	2	-	-	3	Final issued
Cash and Banking 2009/10	Strategic Res		x			4	3	2	-	9	Final issued
Main Accounting System	Strategic Res		x			1	1	-	-	2	Final issued
Accounts Payable – Central Controls	Strategic Res			x		5	4	4	-	13	Final issued – Executive Summary to Audit Committee 07/02/2011



AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</b>	<b>Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement.</b>										
Arrangements for production of AGS 2009/10	All					n/a	n/a	n/a	n/a	n/a	Audit Committee Report 07/06/2010
Annual Audit Opinion 2009/10	All					n/a	n/a	n/a	n/a	n/a	Audit Committee Report 07/06/2010
Internal Audit Effectiveness	All					-	-	-	-	-	Annual review to Audit Committee 27/6/2011
CAA / UoR Support	All					-	-	-	-	-	No longer required in current format - Work requirements to be reviewed in line with Government initiatives
Anti Fraud Culture:	Reviews to reported individually throughout the year										
National Fraud Initiative											Work has commenced with results due to be reported to the audit commission during 2011/12
Follow-Up Reviews	Individual reviews to be detailed throughout the year										
The Voyager School	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Jack Hunt School	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
St John Fisher School	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Stanground College	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK Cont:</b>											
Follow-Up Reviews Cont:	Individual reviews to be detailed throughout the year										
Orton St Johns Primary	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Barnack Primary	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Heltwate School	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Ken Stimpson	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Watergall	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Nene Gate School	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Hampton Vale	Chi Services					-	-	-	-	-	At review stage
Winyates	Chi Services					-	-	-	-	-	At review stage
St Augustines	Chi Services					-	-	-	-	-	At review stage
Woodston Primary	Chi Services					-	-	-	-	-	At review stage
Welbourne Primary	Chi Services					-	-	-	-	-	At review stage
Hampton College	Chi Services					-	-	-	-	-	At review stage
The Beeches	Chi Services					-	-	-	-	-	At review stage
Dogsthorpe Infants	Chi Services					-	-	-	-	-	At review stage

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK – Rolled forward from 2009/10</b>											
Follow-Up Reviews											
Discovery FMSiS	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
John Clare FMSiS	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Nene Valley FMSiS	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Wittering FMSiS	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Bishop Creighton FMSiS	Chi Services					n/a	n/a	n/a	n/a	n/a	Final issued
Climate Change Follow-up	Operations					n/a	n/a	n/a	n/a	n/a	Final issued
Energy Payments follow-up	City Services			x		-	6	4	-	10	Final issued – Executive Summary to Audit Committee 27 June 2011

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>OTHER GOVERNANCE ARRANGEMENTS</b>	<b>Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Areas that constitute key aspects of corporate governance are reviewed in line with risk levels.</b>										
Performance Management	All City Services					-	-	-	-	-	Removed from plan
Risk Management	All Operations					-	-	-	-	-	In progress
Information Governance	All					-	-	-	-	-	Reports to Audit Committee will be through the Information Governance Group.  Reduce scope of Information Security review and place reliance on PwC work in this area.  No further Contact Point work as abolished by central govt.
Business Continuity	All Operations					-	-	-	-	-	Deferred into 2011 / 2012
Youth Offending Service	Chi Services				x	1	6	3	1	11	Final issued – Executive Summary to Audit Committee 27 June 2011
<b>OTHER GOVERNANCE ARRANGEMENTS Rolled forward from 2009/10</b>	<b>Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Areas that constitute key aspects of corporate governance are reviewed in line with risk levels.</b>										
Information Governance - Contact Point Accreditation	Chi Services					n/a	n/a	n/a	n/a	n/a	Final Certification

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>STRATEGIC AND OPERATIONAL RISKS</b>	<b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b>										
Regeneration / Sustainability	Asst Chief Executive					-	-	-	-	-	Removed from plan
Health & Safety	Operations		x			1	3	1	-	5	Final issued
Arms Length Management Organisation (ALMO) for City Services	City Services					-	-	-	-	-	Removed from plan
Safeguarding Children	Chi Services					-	-	-	-	-	Delayed and removed due to Ofsted inspection
Property Asset Management	Strategic Res					-	-	-	-	-	Memo. Linked with Fixed Asset review.
Highways	Operations					-	-	-	-	-	Removed from plan
Agile Working Scheme	Strategic Res		x			5	6	1	-	12	Final issued
Travel & Subsistence	All					-	-	-	-	-	Draft issued
Attendance Management	All					-	-	-	-	-	Removed from plan
Concessionary Fares	Operations					-	-	-	-	-	Removed from plan
Asylum and Immigration Act	Strategic Res			x		-	2	2	-	4	Final issued – Executive Summary to Audit Committee 07/02/2011

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>STRATEGIC AND OPERATIONAL RISKS (cont.)</b>	<b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b>										
Children in Care	Chi Services					-	-	-	-	-	Removed from plan
Funding Assurance on LA Direct Provision	Chi Services					n/a	n/a	n/a	n/a	n/a	Work undertaken in conjunction with Norfolk County Council
Delivering Through Localities	Chi Services		x			1	5	2	-	8	Final issued
Procurement:											
Corporate Contracting											Removed from plan
Purchasing Cards	All			x		6	9	9	-	24	Final issued
<b>STRATEGIC AND OPERATIONAL RISKS – Unplanned Reviews / Control Advice</b>	<b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b>										
(Loyalty) Spend Cards	Chi Services					n/a	n/a	n/a	n/a	n/a	2 memos issued
Interim Utility Billing Process	Strategic Res		x			2	-	-	-	2	Memo issued
Sale of goods on Ebay	Chief Exec Operations					n/a	n/a	n/a	n/a	n/a	2 memos issued
EDF Purchase Orders	Strategic Res					n/a	n/a	n/a	n/a	n/a	Memo issued
Register Office – Missing Certificates	Strategic Res					n/a	n/a	n/a	n/a	n/a	Memo issued

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>STRATEGIC AND OPERATIONAL RISKS – Unplanned Reviews / Control Advice Cont:</b>	<b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b>										
Leaving Care Imprest Account	Chi Services			x		1	2	5	-	8	Final issued – Executive Summary to Audit Committee 27 June 2011
SI (Chi2120-02)	Chi Services				x	1	5	7	4	17	Final issued – Whistleblowing Allegation at a School
SI (Chi2105-03)	Chi Services				x	n/a	n/a	n/a	n/a	n/a	Final issued – Whistleblowing Allegation at a School
<b>STRATEGIC AND OPERATIONAL RISKS – Rolled Forward from 2009/10</b>	<b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b>										
SI (Chi2084-05)	Chi Services		x			-	1	2	-	3	Final

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>CONTRACTS AND PROJECTS</b>	<b>Dependent on risk, we review a sample of projects contracts each year to test whether the council's governance arrangements are being followed and that contracts provide value for money.</b>										
Project Management:											
Post Implementation Review	All										Removed from plan
Capital Gateway Processes	All					-	-	-	-	-	At review stage
Projects:											
CIA Consultancy – E-Payment Project Board	All					n/a	n/a	n/a	n/a	n/a	Completed. Actions required monitored through board minutes
CIA Consultancy – Internet Project	All					n/a	n/a	n/a	n/a	n/a	Complete
CIA Consultancy – Museum Refurbishment	All					n/a	n/a	n/a	n/a	n/a	Complete
CIA Consultancy - Manor Drive Project						n/a	n/a	n/a	n/a	n/a	In progress
CIA Consultancy – business Continuity (Oracle)	All					n/a	n/a	n/a	n/a	n/a	In progress
Contracts:											
PFI (Secondary School) contract	Chi Services										Removed from plan
CIA Consultancy – Green Waste	City Services					n/a	n/a	n/a	n/a	n/a	Final
<b>Rolled forward from 2009/10</b>											
CIA Consultancy - Funds	City Services					n/a	n/a	n/a	n/a	n/a	Final



AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>EXTERNAL WORK</b>	<b>Work resulting income or a reduction in fees paid to other organisations.</b>										
Grant Claim Certification:	Work on behalf of PwC (fee reduction)										
Teachers Pensions (TPA) TR17	Strategic Res					n/a	n/a	n/a	n/a	n/a	Final Certification and Memo
Jack Hunt TPA	Chi Services	x				1	-	-	-	1	Final issued
Hampton College TPA	Chi Services		x			2	1	-	-	3	Final issued
Orton Longueville School	Chi Services		x			4	5	-	-	9	Final issued
FMSiS Section52 Outturn Return	Strategic Res					n/a	n/a	n/a	n/a	n/a	Final Certification and Memo
FMSiS Inventories Summary	Chi Services					n/a	n/a	n/a	n/a	n/a	Final memo
GAF Opportunity Peterborough Grant 2009/10	Strategic Res					n/a	n/a	n/a	n/a	n/a	Final memo
GAF3 Grant 2009/10	Strategic Res					n/a	n/a	n/a	n/a	n/a	Final memo
Stroke Care Grant 2009/10	Strategic Res					n/a	n/a	n/a	n/a	n/a	Final memo
Economic Participation Programme	Chief Exec					n/a	n/a	n/a	n/a	n/a	Final issued
Womens Enterprise Centre	Operations					n/a	n/a	n/a	n/a	n/a	Final issued to EEDA
Future Jobs Fund and Migration Impact Fund	Strategic Res			x		1	1	6	0	8	Final issued – Executive Summary to Audit Committee 27 June 2011
Leisure Trust	SLA in place between Internal Audit and Vivacity (income generating)										
	N/A					-	-	-	-	-	3 x drafts issued.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
<b>EXTERNAL WORK</b>	<b>Work resulting income or a reduction in fees paid to other organisations.</b>										
PCC FMSiS 2010/11:											
Training delivered to schools	Chi Services					n/a	n/a	n/a	n/a	n/a	Complete
Southfields Junior	Chi Services		x			1	1	-	-	2	Final issued
Thorpe	Chi Services		x			2	2	2	-	6	Final issued
Dogsthorpe Junior	Chi Services		x			4	2	1	-	7	Final issued
Leighton	Chi Services		x			-	1	3	-	4	Memo issued
Hampton Hargate	Chi Services		x			-	3	-	-	3	Final issued
St Botolph's	Chi Services	x				-	-	-	-	-	Final issued
Fulbridge	Chi Services		x			1	4	-	-	5	Final issued
Marshfields	Chi Services		x			1	5	-	-	6	Final Issued
Queens Drive	Chi Services		x			2	4	1	-	7	Final Issued
Heritage Park	Chi Services		x			2	2	-	-	4	Final issued
Duke of Bedford	Chi Services		x			3	5	1	-	9	Draft issued
Brewster	Chi Services					-	-	-	-	-	No further action-FMSiS cancellation
Eye Primary	Chi Services		x			-	2	-	-	2	Final issued

AUDIT ACTIVITY	Department	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Commentary / Revised Audit Plan
		Full	Significant	Limited	No	Low	Medium	High	Critical	Total	
Orton Wistow	Chi Service			x		2	5	5	-	12	Final issued – Executive Summary to Audit Committee 27 June 2011
Welland	Chi Service		x			2	5	-	-	7	Final issued
Braybrook	Chi Services		x			2	5	-	-	7	Final issued
<b>EXTERNAL WORK - Rolled Forward from 2009/10</b>	<b>Work resulting income or a reduction in fees paid to other organisations.</b>										
The Voyager FMSiS	Chi Services		x			3	2	1	-	6	Final issued
Barnack Primary FMSiS	Chi Services		x			1	5	-	-	6	Final issued
Dogsthorpe Infants FMSiS	Chi Services		x			3	5	-	-	8	Final issued
Hampton Vale FMSiS	Chi Services			x		1	4	3	-	8	Final issued – Exec Summary to AC 06/09/2010
Southfields Infants FMSiS	Chi Services		x			1	2	-	-	3	Final issued
The Beeches FMSiS	Chi Services			x		1	6	-	-	7	Final issued - Exec Summary to AC 01/11/2010
Welbourne Primary FMSiS	Chi Services			x			5	1	-	6	Final issued – Exec Summary to AC 06/09/2010
Winyates Primary FMSiS	Chi Services			x		1	2	3	-	6	Final issued - Exec Summary to AC 01/11/2010
Heltwate FMSiS	Chi Services			x		2	5	4	-	11	Final issued – Exec Summary to AC 06/09/2010
NeneGate FMSiS	Chi Services			x		1	3	3	-	7	Final issued - Exec Summary to AC 01/11/2010

## APPENDIX B

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

<b>NO ASSURANCE</b>		<b>Date To Audit Committee</b>
1	Youth Offending Team	27 June 2011

<b>LIMITED ASSURANCE</b>		<b>Date To Audit Committee</b>
2	Future Jobs Fund and Migration Impact Fund	27 June 2011
3	Leaving Care Imprest Account	27 June 2011
4	Energy Payments Follow-up	27 June 2011
5	Orton Wistow	27 June 2011

Note, there are other reports with Limited or No Assurance identified in Appendix A above which have been reported throughout the quarterly performance reports.

## Report 1: Youth Offending

### Executive Summary

During the course of the review it became apparent that governance arrangements for the YOS have been in place for several years without review and have remained unchallenged. Therefore, one recommendation in the report has been graded as a Critical priority and this relates to the fact that there is no formal agreement in place for the Youth Offending Service (YOS) Partnership. Three further recommendations are graded as a high priority and these relate to out of date Terms of Reference for the Management Board and the lack of financial reporting to, and monitoring by, the board.

### Scope and Objectives

This was a planned audit review from the 2010/11 Internal Audit Plan. The purpose of the audit was to review the governance arrangements in place for the YOS with their partners Probation, Police and Health Service, also to ascertain the nature and probity of payments in kind.

### Audit Opinion - No Assurance

### Conclusion

The aims and objectives of the YOS are set in statute and link into Peterborough City Council's corporate objectives as set out in the Sustainable Community Strategy.

Formal governance arrangements are poor and the new Operational Manager for Youth Offending has recognised this fact and has plans and ideas on how to improve the governance of the service. The governance arrangements will be reviewed in line with the publication of the follow-on document to 'Sustaining the Success' which is due to be published in December 2010 and this will be timely. When implemented, the recommendations in this report will address the weaknesses found in the current governance arrangements and enable the board to fulfil its purpose and be fit for scrutiny by the Youth Justice Board.

Payments in kind, or contributions in kind, refer to the secondment of staff from the partners. The staff work for the Youth Offending Service but their salaries are paid by the partners and not processed via PCC payroll.

During the review, the following points were considered satisfactory

- The reporting process for performance on national indicators was found to be good as this is a standing item on every Management Board agenda.
- Risk Management is covered well in the Board meetings and each sub group reports to the Board on their risks to performance.
- An action summary is included with all minutes of meetings which makes very clear any action required and who the responsible officer is for overseeing the action.

## Report 2: Future Jobs Fund

### Executive Summary

Although both the Future Jobs Fund and the Migration Impacts Fund grants appear to be achieving their objectives, this review has highlighted a number of issues that need to be addressed and logged as 'lessons learned' for future projects.

There are six high level recommendations identifying:

- a lack of adherence to Contract Regulations (FJF and MIF)
- that role of the consultant to manage the project was not formally documented (FJF and MIF)
- verbal references are not followed up with written ones (FJF)
- three project leaders have not received formal project management training, affecting five of the nine projects (MIF)
- a lack of liaison between the Programme Manager and the Finance section re: budgets (MIF)
- a lack of project monitoring by the Programme Manager (MIF)

### Scope & Objectives

The Head of Neighbourhood Services requested an audit to be carried out for these two grants to gain assurance that they have both been administered properly.

To review the governance and decision making arrangements for both the Future Jobs Fund and the Migration Impacts Fund grants

### Audit Opinion – Limited Assurance

### Conclusion

Staff working in both funding areas have demonstrated their commitment to their own projects and both FJF and MIF appear to be achieving positive outcomes.

Despite this success, some important corporate procedures were not complied with properly when commencing the projects (e.g. obtaining exemption approvals at the appropriate time and following up with formal contracts). From discussions with various staff involved, this appears to be due to ignorance of the required procedures rather than a deliberate avoidance, which indicates that there are training requirements to be addressed.

## Report 3: Leaving Care

### Executive Summary

Two contraventions of Peterborough City Council Financial Regulations have been detailed within the report, in relation to pre-signed authorisation forms and petty cash expenditure over the set limit of £50.00. The third area of concern relates to the absence of the correct coding of VAT to maximise the grants paid to young people, and ensure the Authority's accounts are in order.

The Team Manager is keen to use a Government Purchase Card for the benefit of the Leaving Care Team and this may be considered when the recommendations in this report have been actioned.

It was also noted that the imprest account bank statements included excessive quarterly commission charges. This point was followed up by Internal Audit with the Loans and Investments Officer. The charges were found to be incorrect, and have resulted in a full refund of £484.90 relating to 2010/11 with a further refund of £124.74 due for charges made in March 2011.

### Scope & Objectives

The purpose of the audit was to review the controls in place for the administration of the Leaving Care imprest account and to ensure compliance with Peterborough City Council's Financial Regulations. In addition to this the monitoring of Care Leavers payments, and the options for payment methods have been considered.

### Methodology

An unannounced visit was made to the Leaving Care Team. A full reconciliation of the imprest account was undertaken, including a check on cash balances held. A further visit took place in order to assess procedures in relation to the Purchasing process.

### Audit Opinion – Limited Assurance

### Conclusion

The Administrator at the Leaving Care Team has recently been appointed to the post. She has received training and support regarding the completion of imprest claims from the Administration Team Leader and the Accountancy Assistant, Children's Services. When the recommendations in the report have been implemented, the administration of the imprest account will be efficient and cost effective in terms of value for money for the young people leaving care.

## Report 4: Energy Payments

### Executive Summary

Internal Audit Report no.20 issued on 28<sup>th</sup> April 2010 detailed a number of major issues with the way the authority pays and records its utility bills. The responsibility for payment and recording of the authority's utility bills has since transferred to the Asset Management team. Since the last audit report an interim payment process has been introduced, whilst investigation continues into the reintroduction of bulk billing.

### Major Findings

There have been two major findings at the time of the follow up review. These were:

- The current TEAM database is not a complete record of all utility bills paid by the authority
- The interim payment process agreed in July 2010 requires full validation of every paid utility bill post-payment. However at time of follow up only 19% of paid bills had received such validation

Progress of implementation of previous audit recommendations, new observations and recommendations, are detailed separately.

### Scope and Objectives

The follow up was conducted to assess progress against recommendations, and inform management decisions on further work in this area.

### Audit Opinion – Limited Assurance

### Conclusion

Since the previous audit report was issued there has been significant progress in tackling some of the problems identified during that review. These include obtaining a £338k refund on the Regional Pool E.on electricity account, and the resolution of a significant number of closed accounts with credit balances refunded and debit balances paid. It was estimated that the total refunds obtained from E.on were in the region of £500k. Real progress has been made in clearing the three year backlog of utility bills that had not already been recorded to the TEAM database. However it is noted that data already in the locally held TEAM software remains to be transferred to the hosted software, and thus the database is not yet up-to-date.

As this report demonstrates significant issues remain to be resolved, including the lack of an up-to-date database for utility bills, and the development of a long-term solution for paying and administering utility bills, and this is reflected in the audit opinion. Current processes are resource-heavy, and it must be a matter of huge frustration that officers within Asset Management are required to be taken away from their "day jobs" to assist in manual billing processes, especially since the root of these problems pre-dates Asset Management responsibility for utility bills. Significant savings may be achievable with a more efficient process. Despite the severe financial pressures facing the authority, a strong business case, including cost saving estimates, should be submitted as a matter of priority for funding for development of an efficient and effective utility bill payment process. Transfer of billing data held in the local version of TEAM software to the hosted software should also be treated as a priority, ideally performed by an IT specialist to ensure that data is safely extracted.



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## **Report 5: School Financial Management Standards**

### **Executive Summary**

The Financial Management Standard in Schools (FMSiS) process was embedded into the Internal Audit programme and following external assessment the school has met the requirements of the Standard. The school submitted evidence required in order to support stated procedures and processes in meeting the Standard. The Department for Education (DFE) announced the end of FMSiS in its current format in November 2010, with the school already a substantial way through the assessment process. The school elected to continue with the assessment process on a voluntary basis.

### **Scope and Objectives**

Orton Wistow Primary School previously met the requirements of the Financial Management Standard in Schools during 2007-08. The purpose of the reassessment was to obtain reasonable assurance that adequate controls and procedures are in place to ensure the school's compliance with the standard has been maintained and to make observations and recommendations for improvement.

### **Audit Opinion – Limited Assurance**

### **Conclusion**

The Office Manager worked hard to complete the self-assessment and provided plenty of supporting documents for review prior to and during the External Assessment visit. There were two main weaknesses identified during the review. These related to actions taken outside of the documented scheme of delegation, and to version control surrounding the 2010-13 budget submission. Implementation of the recommendations in this report will strengthen financial controls at the school.

**APPENDIX C****PERFORMANCE INDICATORS 2010 / 2011**

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Actual</b>	<b>Comments</b>
<b>Customers Opinion</b>			
Average rating Post Audit Questionnaire rating	> 3.75	4.5	
Does external audit place reliance on the work of Internal Audit?	Yes	Yes	
Number of complaints received in relation to the service	Nil	Nil	
Number of compliments received about the service	4	5	Achievement above target
<b>Process Related</b>			
%age of audit days delivered compared with the original audit plan	100 %	95%	This is primarily due to LTS issues reported below.
Average number of days between fieldwork completion and issue of draft audit report	15 days	8.5	
Does IA comply with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006?	Yes	Yes	
%age of critical / high priority recommendations agreed	97 %	100%	
%age of critical / high priority recommendations implemented	100 %	89%	Implementation not been possible due to structural changes. The review is due to be revisited during 2011/12 and recommendations have been re-agreed for follow up action.
%age of critical / high priority recommendations followed up within 6 months of final report issued	70 %	80.6%	
<b>Organisational Development</b>			
Number of audit training days per auditor	> 5 days	6.25	
Working days lost to sickness per FTE	5 days	22.84	
Proportion of staff qualified (CIPFA / IIA)	25%	37.5%	