

AUDIT COMMITTEE	AGENDA ITEM No. 5
21 FEBRUARY 2021	PUBLIC REPORT

Report of:	Cecilie Booth – Interim Corporate Director of Resources		
Cabinet Member(s) responsible:	Councillor Coles – Cabinet Member for Finance		
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557	

INTERNAL AUDIT PLAN 2022 / 2023: APPROACH TO AUDIT PLANNING

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> Note and comment upon the emerging themes to be considered for inclusion in the 2022 / 2023 Internal Audit Plan. 	

1. ORIGIN OF REPORT

- This report is submitted to the Audit Committee as a routine planned report on the development of the 2022 / 2023 Internal Audit plans.

2. PURPOSE AND REASON FOR REPORT

- The purpose of this report is to provide Members with details of Internal Audit’s annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provides an opportunity for Members to consider these themes and provide input into the development of the Audit Plan.
- This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.9 “*To commission work from internal and external audit*”.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION

- In accordance with the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive must develop a risk-based plan to determine the priorities of the internal audit activity. It must also explain how the planned assurance delivery links to the organisational objectives and priorities.
 - Within Peterborough City Council (PCC), the role of Chief Audit Executive is undertaken by the Chief Internal Auditor. The Internal Audit Team comprises 6.1 Full Time Equivalent staff. We

currently have one member of staff on secondment (*) and the Chief Internal Auditor's time is split with two other teams - Insurance and Investigations.

	Number	FTE
Chief Internal Auditor	1	1.00
Group Auditor	2	1.60
Principal Auditor	1	0.50
Senior Auditor	2 *	2.00
Auditor	1	1.00

4.1.2 In an ever-changing risk and control environment it is important that audit plans can adapt quickly to the needs of the organisation. To ensure a flexible and prioritised approach to our work, we utilise an assessment and planning tool which is used throughout the year on a rolling basis. This helps to ensure that at the point of each piece of work commencing, it is the next highest priority one according to our risk assessment.

4.1.3 This year, and beyond, we will ensure that our planning process aligns with the activities being undertaken under the Improvement Plan. We will keep informed of the scope and timing of reviews to ensure that we do not duplicate coverage or overlap timescales where possible. We will also ensure we have a strong focus in our plan on areas that feed into the themes of financial sustainability and governance. We are also aware that the outcomes of the various reviews will result in changes to service delivery, including new or changed risk, control and governance structures and processes. Our flexible planning will ensure that we take account of these and build them into our programme of work where appropriate. Additionally, the outcome of some Improvement Plan reviews may provide assurance that can feed into our Annual Audit Opinion at the end of 2022-23 and we will assess whether this is appropriate throughout the year.

4.1.4 We will also take into account the ongoing impacts of Covid, such as increased fraud risks, changes to working practices, supply chain failure, demand for social care services and reduction in income streams and increased debt. Time will be allocated for certification of Covid related grants and for post-payment assurance of Business Support Grants payments.

4.2 APPROACH

4.2.1 Consultation and research is currently underway to determine possible themes and areas for audit work. This includes consulting with senior management and reviewing risk registers, budgets, plans and strategies, decisions, project and contract registers. The governance structures for the Improvement Plan are being developed currently, along with the scoping of specific service, contract and company reviews and we will continue to review proposals as they evolve.

4.2.2 The potential areas for review that this generates will then be subject to an assessment, using our planning tool (see **Appendix A** for details). The key factors being assessed are:

- **Materiality:** The size of a system or process in terms of financial value or numbers of transactions or number of people affected.
- **Corporate Importance:** The extent to which the Council depends on the system to meet statutory or regulatory requirements or corporate priorities.
- **Stability:** The degree of change within the process.
- **Vulnerability:** Extent to which the system is liable to breakdown, loss, error or fraud.
- **Specific concerns:** Arising from management's assessment of risk as well as audit intelligence.

The assessment tool is designed to ensure that our work is aligned to organisational objectives and priorities.

4.2.3 The Annual Internal Audit Plan will be compiled using our knowledge of:

- The prioritised list of potential audit reviews generated by the above assessment.
- The number of audit days available for the year.

- The skills, knowledge and experience of audit staff.
- Assurance available from other sources.
- Cambridgeshire County Council Internal Audit plans in relation to our shared services.
- An allowance for statutory activities, grant certifications, supporting the democratic process and follow-up reviews.

4.2.4 The Draft Annual Internal Audit Plan will be presented to the Audit Committee at the 21 March meeting. It will show all audits assessed as high priority but will distinguish between those achievable within current audit resources and those which are not.

4.2.5 During the year, there will be new risks and concerns identified, or changes to those already identified and included in the plan. There will be regular review of these changes and a reassessment of priorities in accordance with the approach set out above. This will result in areas of work being added to or removed from the plan.

4.2.6 Co-ordination between Internal Audit and the Risk Management Board/risk functions can assist this process in identifying emerging local and national risks and areas that need to be covered in audit work where appropriate.

4.3 **THEMES EMERGING**

4.3.1 Our initial stages of planning have identified the following broad themes for inclusion in our risk assessment process.

4.3.2 Financial Governance

- Arrangements for ensuring that savings proposals are tracked and being achieved.
- Review of Financial Regulations and Contract Standing orders as part of the revised Financial Operating Framework
- Financial Systems – Payroll, Council Tax and NNDR, Debt Recovery
- Income generating activities – charging policy, accurate billing and debt recovery
- Enhanced Spend Controls – data analysis and dip sampling
- Town Fund and Levelling Up Fund Assurance Framework

4.3.3 Information Governance

- The operation of new or upgraded IT systems (MyView – staff expenses module)
- Cyber Security and remote working
- PCI compliance
- Information Governance – compliance with policies
- Attendance at Strategic Information Board

4.3.4 Corporate Governance

- Attendance at the Risk Management Board
- Risk Management
- Compliance with our Code of Corporate Governance.
- Compliance with corporate policies/review of new strategies
- Post-Payment Assurance for Business Support Grants
- Workforce Development and Succession Planning

4.3.5 External Companies

- New arrangements for governance of external companies

4.3.6 Contracts and Procurement

- Contract management and open book reviews – those not being reviewed as part of the Improvement Plan (awaiting confirmation)
- New Contract Management manual
- Supplier Resilience following Covid – due diligence and supplier set up/processes in place to monitor supplier resilience

4.3.7 Project and Programme Management

- New Programme and Project governance arrangements initiated to oversee the Improvement Plan
- Project Management – compliance with policy on specific projects (eg Academy to Cloud)

4.3.8 Environment

- Climate Change – Organisational resilience
 - Asset Management systems and land transfer process
 - Homelessness / Temporary Accommodation

4.3.9 Service Delivery

- Changes to service delivery as a result of decisions to in-source/outsource or otherwise change the activities of major contracts, companies or services (dependant on the outcomes from the Improvement Plan)
- Home to School transport – compliance with eligibility criteria
- Direct Payments

5. **CONSULTATION**

5.1 Directors and Heads of Service have been invited to input into the planning process to date. Consideration of any information received has been incorporated into this report where applicable and further consultation is in train with Directors and their Management Teams.

The Audit Committee is similarly invited to input into the annual planning process by way of this report. Any areas identified will be assessed for inclusion within the plan in accordance with the planning tool (See Appendix A).

6. **ANTICIPATED OUTCOMES OR IMPACT**

6.1 Audit Committee note and comment on the contents of this report.

7. **REASON FOR THE RECOMMENDATION**

7.1 To provide members with an insight into the development of the audit plan to provide assurance to the Council on its governance and operations.

8. **ALTERNATIVE OPTIONS CONSIDERED**

8.1 None

9. **IMPLICATIONS**

Financial Implications

9.1 The Audit Plan needs to be deliverable within available resources and the achievement of the audit plan will require that the current structure remains essentially intact throughout the year. Resource requirements are reviewed each year during the planning process.

Any changes to the structure and resourcing of Internal Audit will result in a further review of our programme of work and this will be reported to the Audit Committee.

Legal Implications

9.2 The Accounts and Audit regulations 2015 require the Council to have a sound system of internal control which includes effective arrangements for the management of risk, controls and governance.

Equalities Implications

9.3 The identification of risks and the proper management of those risks will ensure that:

- The Councils environmental policies and ambitions can be met; the Council is able to mitigate against potential financial losses, litigation claims and reputational damage; the Council is able to effectively deliver the strategic priorities.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 None.

11. APPENDICES

11.1 Appendix A

INTERNAL AUDIT PLANNING AND ASSESSMENT TOOL

<i>Category</i>	<i>Weight</i>	<i>Description</i>	<i>Total Possible Category Score</i>
Materiality	2	Value (budgeted income and expenditure; contract values; project costs etc.) and volume (number of transactions, number of staff/public affected). 1= up to £100k or 100 transactions 2= £100k-£1m, or 100-1000 transactions 3= £1-10m, or 1000-10,000 transactions 4= £10-£100m, 10,000 or 100,000 transactions 5= £100m plus, or 100,000 plus transactions Score 1 to 5 (1= low, 5 = high).	10
Stability	2	Amount of change within a system or process. Growth in size or responsibilities; staff turn-over; legislative change; new or upgraded IT systems; cultural change; new service delivery models; significant internal policy change. Score 1 to 5 (1= low, 5 = high)	10
Vulnerability	3	Inherent risks (fraud, corruption, error, commercial or sensitive information, health and safety, vulnerable adults and children). Control environment (limited central control or ownership, poor physical security, high turn-over of staff, complexity of systems and processes, poor SoD, lack of expertise) Score 1 to 5 (1= low, 5 = high)	15
Corporate Importance	5	Dependence on the system to meet regulatory requirements or corporate priorities and objectives. Score 1-5 (1= low, 5= high)	25
Specific Concerns	4	Concerns and risk assessment of management and auditors. Review risk registers, specific areas raised by management, audit intelligence. score 1-5 (1= low, 5= high)	20
Total Possible Overall Score			80

Prioritisation Schedule

>50	High Priority	30-50	Medium Priority	< 30	Low Priority
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