

**PETERBOROUGH CITY COUNCIL
INTERNAL AUDIT STRATEGY 2024/25**

1 INTRODUCTION

- 1.1 Internal Audit has a key role in supporting the Council and its Audit Committee in discharging its governance responsibilities. Its aim is to provide independent risk based and objective assurance which is responsive to the needs of Councillors and management, ensuring assurance, advice and insight enhances the values and vision of Peterborough City Council.
- 1.2 In accordance with the mandatory Public Sector Internal Audit Standards (PSIAS), the Chief Internal Auditor must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. The role, purpose and authority of Internal Audit is defined in our Charter, which is updated annually and presented to the Audit Committee for approval.
- 1.3 This document demonstrates how Internal Audit will support the Council in by delivering a relevant and focused Internal Audit Annual Plan for 2024/25. It explains how the plan was developed, the resources required to fulfil it, and how we will continue to develop the audit service.
- 1.4 The strategy will be reviewed throughout the year to ensure its continued relevance, both in terms of supporting the council’s aims and in achieving a professional, modern audit service.

2 INTERNAL AUDIT PLANNING PROCESS

- 2.1 In February 2024 the Audit Committee received and discussed some emerging themes as part of the annual planning process. These were generated from our review of: departmental and strategic risk registers; discussions with senior management; the Council’s priorities; the Medium-Term Financial Strategy; key decisions and reports taken to Cabinet, Scrutiny Committee and other committees; and contract and project registers. The themes considered were:

Corporate governance	Information governance	Service Delivery	External Organisations
Financial governance	Environment	Contracts and Procurement	Project and Programme management

- 2.2 The list of ideas that this generated was then subject to an assessment, using our planning tool. The key factors being assessed are:
 - Materiality: The size of a system or process in terms of financial value or number 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.

2.3 The Annual Audit Plan was then compiled based on:

- 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 from other sources, including regulators, external experts and Cambridgeshire County Council reports in respect of current and previous shared services.
- An allowance for statutory activities, ad hoc consultancy, planning and progress reporting and follow-up reviews.

2.4 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. It is anticipated that there will be a high level of change during 2024/25 due to an ambitious Transformation Programme along with the de-coupling from Cambridgeshire County Council and the move to bring Serco services back in-house. We will keep activities and outcomes under review to determine the impact on our plans.

2.5 Our planning methodology does mean that we cannot state with certainty which audits will be undertaken, but this approach allows us to be responsive to new and changed risks and to ensure that assurance is provided in the most appropriate areas. Changes to the plan will be notified to the S151 officer and Audit Committee as part of agreed reporting arrangements.

3 AUDIT RESOURCES

3.1 The Internal Audit Service is provided by an in-house team with an establishment of 6.10 full time equivalent (FTE) staff. This has remained static for the last 5 years, although numbers in post have varied.

Post Name	FTE
Chief Internal Auditor	1.00
Group Auditor	1.60
Principal Auditor	0.50
Senior Auditor	2.00
Auditor	1.00
Total establishment	6.10

3.2 The CIA has line management responsibility for the Insurance function and the Corporate Investigations team, as well as a directorship role on the board of Peterborough Limited. These activities equate to approximately 0.4 FTE.

- 3.3 The two senior auditor posts have been vacant for some months and recruitment at this level is challenging in the current climate. At the time of writing this report a recruitment exercise is underway, with the aim of filling both posts. A call-off contract has also been arranged with an internal audit services provider, and this can be used to cover gaps in resources (within budget limits), for example due to unsuccessful or delayed recruitment or part-time working requests.
- 3.3 The audit team has a working protocol with Cambridgeshire County Internal Audit services. Whilst the number of services shared between Peterborough City and Cambridgeshire County Council has diminished significantly, we will continue to liaise with our Cambridgeshire colleagues where appropriate to minimise duplication, use resources efficiently, and to place reliance on each other's work.
- 3.4 The audit plan identifies a conflict of interest regarding any work undertaken in relation to Peterborough Ltd., due to the Chief Internal Auditor's role on the board of Peterborough Ltd. We will avoid this by using our call-off contractor to perform such audits. We will review any other potential conflicts during the year as we scope individual audits.

4 QUALITY ASSURANCE

- 4.1 The Internal Audit team operates to the mandatory professional standards outlined in the Public Sector Internal Audit Standards 2017 (PSIAS). The global standards on which the PSIAS are based have recently been reviewed and significantly amended by the International Internal Audit Standards Board. These new standards will come into force in early 2025.
- 4.2 We will continue to monitor the quality of our service in the following ways:
- Robust, evidenced quality reviews of each piece of audit work by senior management.
 - Ongoing supervision and mentoring of staff, though 1:1s.
 - Assessment of the training needs of staff in conjunction with the internal audit training strategy and the corporate appraisal process.
 - Post-audit questionnaires obtaining the views of auditees.
 - Customer surveys to understand the requirements of management and their views on the quality of our service.
 - Conduct a self-assessment against the current (2017) PSIAS, and a gap analysis of the new (2024) global Internal Audit Standards.
 - Arrange for an external assessment of the service every 5 years.

5 AUDIT SERVICE DEVELOPMENT & IMPROVEMENT

- 5.1 We aim to continually review and improve our service to ensure it is of the highest quality and meets our aims, as set out in the Charter. We will continue to develop and implement our Quality Assurance Improvement Plan, including the following:
- Development of an assurance framework in conjunction with the Risk Manager.
 - Review our reporting templates to enhance the provision of information about risks and controls.
 - Review our performance targets to ensure they are in line with best practice.
 - Collaborate with professional Internal Audit networks to enable benchmarking and to assist in developing best practice.
 - Update our follow-up process, by utilising software enhancements to improve efficiency and ensure all actions are tracked and easily reportable.

- Review our post-audit questionnaire, with the aim of increasing its return rate using electronic surveys.
- Ongoing upgrades of our audit software, to ensure we are making full use of best practice enhancements.
- Implement any actions from internally or externally assessed compliance with PSIAS.

6 SUMMARY OF PLAN

- 6.1 The Plan for 2024/25 aims to give the Council the best audit coverage within the resources currently available, in order to provide an Annual Audit Opinion to feed into the Annual Governance Statement. It assumes that both Senior Auditor posts will be filled full time by May (or that gaps are filled by our contractor).
- 6.2 APPENDIX D lists the planned audits achievable within current resource levels and identifies where our audits align to strategic risks. It should be noted that there are a number of audits that have been considered as part of this planning process to be high priority, but which are not achievable within resources.
- 6.2 The table below summarises our coverage of the key areas we consider annually. The allocation of resource demonstrates our key focus on financial and corporate governance in light the council’s current strategy and objectives to enhance financial resilience and improve governance structures.

Internal Audit Work Areas	Current Days Available	%
Corporate Governance	75	9
Financial Governance	85	10
Information Governance	35	4
Procurement and Contracts	100	11
Programmes and Projects	70	8
Service Delivery	80	9
External Organisations	40	5
Certification & Verification	75	9
Other Resource Provisions	300	35
TOTAL RESOURCES	860	100

6.1 Financial Governance

We have a strong focus on financial governance in accordance with the financial issues facing the Council. We will look at investment decision making, management of income generation and debt management, and effective use of S106/CIL funds. The newly instigated annual self-assessment of financial resilience of the authority (against the CIPFA Financial Management Code) will be reviewed, and we will provide advice on the new Financial Operating

Framework to ensure adequate controls are built into our financial governance procedures. Many of our other audits will pick up on financial aspects, including our reviews of contracts and projects, school reviews and some aspects of service delivery audits.

6.2 Corporate Governance

Our plan provides a high-level overview of the governance arrangements at the Council, including Performance Management, Transformation and Programme management, Risk Management, Health and Safety arrangements and advice during a refresh of the Local Code of Governance. We will continue to attend the Risk Management Board providing a critical friend role and consultancy advice.

6.3 Information Governance

This theme includes our work on IT, which has recently de-coupled from Cambridgeshire County Council. We are planning to continue review work around Cyber Security by reviewing disaster recovery arrangements and also the management of staff movements. School reviews will also cover this area. We will continue to attend the Strategic Information Governance Board, providing consultancy advice on the policy framework and emerging issues.

6.4 External Organisations

Each year we aim to look at services delivered by external organisations in which we have an interest, such as joint ventures and wholly owned subsidiaries. We have included time to review Peterborough Investment Partnership along with an overarching review of the governance of external bodies. We will evaluate the outcome of the current externally commissioned audit of Peterborough Ltd to determine whether further in-depth work is required.

6.6 Service Delivery

Transformation plans, along with the move to bring various services back into the Council's control will inevitably result in changes to the way we deliver services. We will keep this under review and reprioritise audit requirements during the year where necessary. Reviews of Building Control and Direct Payments within Adult Services are included in the plan, but a number of management requests for reviews of efficiency and effectiveness of specific services are currently unachievable within resources.

6.7 Procurement and Contracts

We assess the management of contracts as high priority at a strategic level and always include time in our plan. Specific contracts will be identified during the year, but it is anticipated that we will focus on those in Public Health and Adults and Children's services due to the recent de-coupling. We will act as a critical friend during the development and implementation of new Procurement and Commercial Strategies and Contract Management Standards in line with the Procurement Act 23.

6.8 Programmes and Projects

We assess the management of projects as high priority at a strategic level and always include time in our plan. The Programme Boards are intended to oversee the projects resulting from transformation plans, with projects being managed by officers across the council and some of the audit activities will look for assurance around project monitoring in this area. We will examine projects to ensure appropriate business cases have been made, that they are being managed effectively to achieve their objectives, and that benefits are realised. We will review the new Project Management model and provide assurance that value for money principles are being applied.

6.9 Certification and Verification

As a result of the Council continuing to receive and obtain grant funding, the demand for internal audit to certify grants continues. Also included in this area of the plan is other verification work carried out in line with Government requirements, such as the Supporting Families programme, and an annual financial audit of the Mayor's Charity.

6.10 Other Resource Provisions

This area includes time for:

- Completing 2023/24 audits that have yet to be finalised at the beginning of 2024/25
- Following-up the implementation of audit recommendations, normally within 6 months of the original audit.
- The provision of control advice and consultancy, which is requested on an ad-hoc basis from a variety of managers and officers. A large amount of this work consists of advice during the update or implementation of new systems or processes.
- Fraud related activities, including work under the National Fraud Initiative.
- A small contingency to cover unplanned work arising from changes implemented under the Improvement Plan.
- Annual audit planning, progress monitoring and reporting.
- Other committee support, including reporting, Audit Committee training and a review of Audit Committee effectiveness.
- Review and update of the Internal Audit Charter and Ethics statement, Quality Assurance Improvement Plans and review of Internal Audit effectiveness

6.11 Anti-fraud Culture

The Chief Internal Auditor manages an Investigations Team, and reports to Audit Committee separately about their work. However, in delivering all of its work, internal auditors are alert to the risks and exposures that could allow fraud or corruption to occur. Our plan also includes time for our annual work in relation to the National Fraud Initiative where internal audit have a key role. Where suspected irregularities require prompt reactive investigating, we will prioritise our audit plan to enable time to be released from other audit work. We will also work with the Investigations Team where appropriate.