

**PETERBOROUGH CITY COUNCIL  
INTERNAL AUDIT STRATEGY AND PLAN 2016/17**

**1 INTRODUCTION**

- 1.1 This document is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council. It 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.
- 1.2 The Accounts and Audit Regulations 2011 stipulate that a council should maintain "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 regulations also provide that council's "undertake an adequate and effective internal audit of its accounting records and of its system of internal control" in accordance with the Public Sector Internal Audit Standards. The Council's Internal Audit team are bound by the mandatory requirements of these standards.
- 1.3 Internal Audit Role**
- 1.4 Internal audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes
- 1.5 The provision of assurance is the key role for Internal Audit. This role requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. This audit opinion is provided to the Audit Committee and also feeds into the Annual Governance Statement.
- 1.6 The role of Internal Audit, therefore, is to understand the key risks to the Council's objectives and to evaluate the adequacy and effectiveness of management's response to those risks. An overview of risk management and governance processes and key financial controls is also a significant aspect of our work.
- 1.7 Consulting services are advisory in nature and are generally performed at the specific request of management, with the aim of improving operations. Requests of this nature are considered in light of resource availability and our primary role of assurance.

## 2 INTERNAL AUDIT PLANNING PROCESS

2.1 Annually, Internal Audit conducts a risk-based audit planning process to ensure that all areas of the Council operations (and external partners, where appropriate) are provided with an appropriate and structured Internal Audit service to assist in the continuous improvement process. The purpose is to align audit effort with those areas assessed as posing the greatest risk to the Council. The following sources of information have been used in identifying the priorities put forward for audit coverage:

- Council objectives;
- Medium Term Financial Strategy;
- The Council's strategic and operational risk registers;
- The Council's IT Strategy;
- Consultations with individual directors and their management teams
- Consultation with the council's external auditor
- Consultation with the Audit committee, at this meeting.

2.2 A number of themes have been considered in the preparation of the 2016 / 2017 Internal Audit Plan. These are:

- **Financial pressures** faced by the Council and the resultant changes to **service delivery arrangements** as well as large scale **projects** designed to introduce more efficient and effective ways of working.
- **Contracts and Partnerships**. This is an essential component of the audit process, especially given the increasing dependence on external suppliers and partners, and the move towards a predominantly commissioning approach;
- A continuation of Internal Audit work in **high-level corporate management functions**;
- **Information governance and data security**;
- **Schools**. Governance, statutory and financial management processes linked with the Schools Financial Value Standard (SFVS);
- **IT and Digital Strategies**. Changes to systems and the move towards more mobile/remote technology.

### 3 STRATEGY FOR DELIVERY OF THE PLAN

#### 3.1 Audit Resources

- 3.1.1 The Internal Audit Service is provided in-house, overseen by a shared Head of Internal Audit. The Internal Audit establishment is 5.16 FTE (detailed below). This is a slight reduction to 2015/16 (0.2) as a result of a reduction in hours by one individual. The Plan has been compiled on the basis of 5.16 FTE in post throughout the year. If resources drop below this level, consideration will be given to the options of recruitment or agency staff.

Post Name	FTE	
Chief Internal Auditor	0.40	0.60 of post provided to Cambridge City and South Cambs DC
Group Auditor	1.46	
Principal Auditor	0.50	
Senior Auditor	1.80	
Auditor	1.00	
Total establishment	5.16	

- 3.1.2 The Chief Internal Auditor is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council. Management time is planned on the basis of 20% to Internal Audit (1 day per week), with the remaining 20% covering the other two service areas (0.5 day per service per week).

#### 3.2 Shared Management Arrangement

- 3.2.1 A shared management arrangement with Cambridge City Council has been in operation since January 2011, and South Cambridgeshire District Council joined in July 2013. The aim is to share knowledge and best practice, and to increase flexibility and efficiency whilst driving down costs through economies of scale. The audit teams continue to remain distinct entities with the main impact for PCC resulting in a 60% reduction in the time available from the Chief Internal Auditor, along with an associated reduction in costs. Future aims are to increase efficiency by carrying out joint audits where commercially appropriate and utilising expertise within teams across the whole shared service where specialist knowledge exists. This shared service model is due to continue and further opportunities will be appraised where appropriate. The savings generated go back to the corporate pot to assist in meeting future budget pressures.
- 3.2.2 We will continue to look for other partners to enhance the provision of audit. However, with the increased number of services being managed by the Chief Internal Auditor the business model presently operated will require review and possible re-structure to ensure that management coverage within PCC and each organisation is appropriate.

### 3.3 Development of the Audit Service

- 3.3.1 The Internal Audit team will operate to the mandatory professional standards outlined in the Public Sector Internal Audit Standards (PSIAS). This will include:
- Robust quality control of the work conducted
  - Regular training needs assessment to ensure that appropriate skills are available. Joint arrangements will be explored so that officers from all shared service partners can be developed at the same time and also to look for efficiencies in terms of time and cost.
  - Continued update and development of audit procedures to ensure that best practice is followed and the service is provided in the most cost efficient manner. This will include ongoing review and refinement of our use of audit software.
- 3.3.2 A review of the terminology we use for audit opinions within our reports has recently been undertaken and has resulted in a slight change to be implemented from April 2016. The proposal is to move from: FULL; SIGNIFICANT; LIMITED and NO ASSURANCE; to SUBSTANTIAL, REASONABLE; LIMITED and NO ASSURANCE. The aim of this is to reduce the perceived gap that currently exists between 'significant' and 'limited', and is an acknowledgment that we cannot give absolute assurance on any system and rarely award 'full' assurance.

## 4 OVERVIEW OF PLAN

The Plan for 2016 / 2017 aims to give the Council the best audit coverage within the resources currently available. Though it is compiled and presented as a plan of work, it must be recognised that it can only be a statement of intent. Whilst every effort will be made to deliver the plan, Internal Audit recognises that it needs to be flexible. Actual audit work therefore may be modified during the year according to the circumstances prevailing at the time.

The basis of the Plan is the work required to fulfil our assurance role, but Internal Audit aims to add value in our work by focusing on those areas that are important to the Council, in terms of strategic priorities as well as the risks that we face. The plan covers core assurance work (financial systems, schools, grant certification, annual governance processes) as well as reviews of the controls mitigating some of our major risks and consultancy support work. A continuing theme will be around the financial risks facing the Council and we intend to provide assurance that our processes maximise income and robustly control expenditure. The Chief Internal Auditor, along with the whole Internal Audit Team, are fully committed to delivering a high quality and responsive Internal Audit service to the City Council. With this in mind, they will be seeking throughout the year to continue to develop the service in accordance with recognised best practice. The overall allocation of the estimated 795 days shown in Table 1 below. This is a small reduction on the previous year (840 days) as a result of reduced hours within the team.

<b>Table 1: Internal Audit Work Activities</b>		
	<b>Days:</b>	<b>%</b>
Core Systems Assurance Work	70	9
Annual Governance and Assurance Framework	145	18
Strategic and Operational Risks	270	34
External Works	70	9
Certification	50	6
Other Resource Provisions	190	24
<b>TOTAL RESOURCES ALLOCATED</b>	<b>795</b>	<b>100.0</b>

#### 4.1 **Core Systems Assurance Work**

Audits of the main financial systems of the Council are generally undertaken on a cyclical basis. The audit plan for 2016 / 2017 includes reviews of budgetary control, accounts payable and accounts receivable, all implemented in 2015 as part of the new Agresso system. Our input to the project to implement a new HR system (which feeds into the Payroll system) will continue this year. We will co-ordinate our work with our External Auditors to ensure that there is no duplication of effort.

#### 4.2 **Annual Governance and Assurance Framework**

The work outlined in this section feeds directly into the production of the Annual Governance Statement and provides a high level overview of the governance arrangements at the Council. There is an update to the CIPFA framework for Delivering Good Governance in Local Government (to be published in April 2016) and we will review compliance with this, focussing on the areas of ethics and performance management.

#### 4.3 **Strategic and Operational Risks**

A significant proportion of our time has been allocated to this important area of work. Audits have been included as a result of risks identified by management or Internal Audit, or following a management request. In particular, Internal Audit intends to add value by providing assurance in areas which impact on a number of the Council's strategic risks, including:

- Financial position
- Information governance
- Safeguarding
- Strategic Partnerships
- Health and Safety
- Project/Programme management

#### 4.4 **External Works**

PCC Internal Audit provides audit services to Vivacity–Peterborough which is managed through a Service Level Agreement. The contract arrangements have been operational since 2010. These reviews are client confidential and as a result their outcomes are only available to Vivacity. This work is in addition to the shared service arrangements detailed in 3.2 of this report.

#### 4.5 **Certification**

As a result of the organisation continuing to receive and obtain grant funding, the demand for internal audit to certify grant claims continues. Also included in this area of the plan is other verification work carried out in line with Government or European requirements.

#### 4.6 **Other Resource Provisions**

Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks and special investigations. Contingency time is included for such events along with the provision for consultancy work that may be undertaken by the Chief Internal Auditor or other members of the audit team.

**PETERBOROUGH CITY COUNCIL: INTERNAL AUDIT PLAN 2016 / 2017**

**VISION FOR THE CITY**

**STRATEGIC PRIORITIES**

- 1 Drive growth, regeneration and economic development.
- 2 Improve educational attainment and skills.
- 3 Safeguard vulnerable children and adults.
- 4 Implement the Environment Capital agenda.
- 5 Supporting Peterborough's culture and leisure trust Vivacity.
- 6 Keep all our communities safe, cohesive and healthy.
- 7 Achieve the best health and wellbeing for the city.

**Draft Internal Audit Plan 2016 / 2017**

SERVICE / SYSTEM	COUNCIL OBJECTIVE	OUTLINE AUDIT SCOPE	Priority	
			Rating	Reason
<b>CORE SYSTEM ASSURANCE WORK</b>				
Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts.				
Budgetary Control	ALL	A risk based review concentrating on budget management within one or more directorates, or on a major project. Focus to be on the risks highlighted of: <ul style="list-style-type: none"> <li>budget managers failing to forecast accurately</li> <li>budget managers failing to manage budgets within control totals</li> </ul> The impact of the new finance system in these areas will be reviewed.	High	Core audit assurance Resources Risk Register (amber)
Accounts Payable	ALL	A review of the new finance system, concentrating on specific areas such as exempt invoices and access controls, and following up on work done during the implementation.	High	Core audit assurance
Accounts Receivable	ALL	A review of billing and debt recovery arrangements centrally and within specific departments. For example, charging for care within Adult Social Care.	High	Core audit assurance
HR IT System	ALL	A review of the control framework during the design and implementation of a new HR IT system designed to enable self-service.  Highlighted Risk: Failure to achieve potential benefits/business needed from IT investment. Highlighted Risk: Failure to keep sickness absence levels to an acceptable level	High	Major changes to system Core audit assurance Governance Risk Register (amber)
			<b>TOTAL AUDIT DAYS</b>	<b>70</b>

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</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, as well as high level governance reviews.				
Annual Governance Statement Review	ALL	Process and framework to feed into work on Annual Governance Statement for 2015/16, including a review of recommendations made by External Audit in their annual letter and verification of implementation / progress; and co-ordination and review of the annual assurance statements made by Directors.	High	Compliance with Accounts and Audit Regulations
Code of Corporate Governance	ALL	Review of our compliance with the new CIPFA framework for Delivering Good Governance in Local Government (to be published in April 2016), with a focus on the principles of ethical values and performance management.	High	Compliance with mandatory audit standards
Assurance Framework	ALL	Determine what assurance is received in relation to those risks identified in strategic and corporate risk registers. Identify gaps. Consider Internal Audit's role in filling those gaps and also in quality assuring other assurance providers.	High	Compliance with mandatory audit standards
Annual Audit Opinion	ALL	Internal Audit opinion on the state of governance, risk management and the internal control framework in place within the Council.	High	Compliance with mandatory audit standards
Annual Audit Plan	ALL	Establishment of the annual audit plan for 2017-2018 based on a systematic risk assessment across the Council. This includes a review of the corporate risk registers and the Medium Term Financial Strategy together with consultation with Directors and Heads of Service.	High	Compliance with mandatory audit standards
Internal Audit / Audit Committee Effectiveness	ALL	Review of the internal audit service against the new Public Sector Internal Audit Standards and a best practice review of the Audit Committee.	High	Compliance with mandatory audit standards
Anti-Fraud Culture	ALL	Provision of data for National Fraud Initiative and investigation of matches received as a result. Review and development of policies to include: Anti-Fraud and Corruption Strategy, Fraud Response Plan, Prosecutions and Sanctions Policy, Whistleblowing Policy and the Bribery Act. Facilitation of a Fraud Risk Register.	High	Corporate responsibility to protect finite resources
Information Governance	ALL	Liaison and strategic overview as part of the Strategic Governance Board and Information Governance Group.	Medium	Core audit assurance
Risk Management	ALL	Involvement in risk working group and any emerging issues.	Medium	Core audit assurance
			<b>TOTAL AUDIT DAYS</b>	<b>145</b>



SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
<b>STRATEGIC AND OPERATIONAL RISKS</b>				
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks				
Programme/Project Management	ALL	<p>A review of some selected projects or programmes to ensure they are being managed effectively. Examples include Customer Experience Programme, Transformation programme, J20, BB phase 2 projects, The Front Door project. To include a high level overview of ICT programme governance to ensure projects are integrated and in line with the Digital Strategy.</p> <p>Highlighted risk: Project and Programme failure through lack of oversight.</p>	High	<p>Core audit assurance</p> <p>Resources Risk Register (amber)</p>
Contracts	ALL	<p>A review of selected contracts to ensure that all aspects of the tendering and management of contracts follows best practice and results in value for money. To include compliance with the new Public Contract Regulations and review of new internal Contract Rules.</p> <p>For example, the Homecare contract, due be re-tendered in 2016, or the new Fostering and Adoption contract.</p>	High	Core audit assurance
Strategic Partnerships	ALL	<p>Review the Council's management of strategic partners, which include Serco, Skanska, Amey and Vivacity, to ensure that effective governance arrangements are in place.</p> <p>Highlighted Risk: Strategic Partnerships fail to deliver as per contract/expectations.</p>	High	Strategic Risk Registers (amber)
Commercial Activities	1,4	<p>A review of governance arrangements in those areas where commercial activities and joint ventures are taking place, for example: the Peterborough Investment Partnership, ESCO, Opportunity Peterborough etc.</p> <p>Highlighted Risk: Failure to plan for implications of the Growth Agenda</p>	High	<p>New service delivery arrangements</p> <p>Strategic Risk Register (amber)</p>
Information Governance	ALL	<p>Following a high level review of our compliance with ICO requirements, we will focus on some more specific areas. In particular we will look at:</p> <ul style="list-style-type: none"> <li>• Cyber security (covering security in the use of mobile/remote technology)</li> <li>• Document retention.</li> </ul> <p>Highlighted Risk: Lack of controls could subject the council to significant risk from litigation, financial penalties and loss of reputation.</p>	High	Strategic Risk Register (amber)

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority		
			Rating	Reason	
Quality Assurance	3	This function is recognised as a key control in mitigating the risk around safeguarding. A review will look at the effectiveness of the processes in place that provide assurance over safeguarding activities within Adult's and Children's Social Care, with a focus on the annual review of clients.  Highlighted Risk: Failure of Safeguarding functions to prevent a child or vulnerable adult being placed at significant risk of harm.	High	Strategic Risk Register (red)	
Health and Safety	6, 7	A review of arrangements to ensure that our responsibilities for the health and safety of the public are covered (for example at public events, during highways works, in our buildings).  Highlighted Risk: Corporate manslaughter/health and safety incident.	High	Strategic Risk Register (amber)	
Shared Services	ALL	A review of governance arrangements for our shared service arrangements, for example: Fenland - Planning, Rutland - Legal and Housing.	Medium	New service delivery arrangements	
Recruitment checks / Disclosure and Barring Service	2,3,6	To ensure there is a robust process in place for recruitment checks (including DBS, references, professional body and qualifications) and for monitoring that contractors fulfil their responsibilities in this area.	Medium	Impact on safeguarding responsibilities and information governance (PSN compliance).	
Schools	1, 2	Themed reviews of a variety of schools. For example, use of pupil premium/SEN funding.	Medium	Core audit assurance	
Property	1	To cover governance around the new delivery arrangements and the process for acquisitions and disposals.	Medium	New service delivery arrangements	
The Local Offer	2, 3	A review of our compliance with the DfE code of practice for OFSTED.	Low	New activity/ Management request	
Blue Badges	6	A review of processes for issuing and cancelling permits.	Low	Follow-up to issues found during NFI work.	
				<b>TOTAL AUDIT DAYS</b>	<b>268</b>

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Priority	
			Rating	Reason
<b>CERTIFICATION</b>				
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.				
Growth and Regeneration	ALL	Bus Service Operators 2015/16 - A grant to support bus services, including community transport services.	High	To meet government and EU requirements.
Growth and Regeneration	ALL	Local Transport Funding Grant 2015/16 - 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.	High	
Growth and Regeneration	ALL	Local Sustainable Transport Grant 2015/16 – A scheme to help local authorities to cut carbon emissions and create local growth.	High	
People and Communities	ALL	Disabled Facilities Grant 2015/16 - Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.	High	
People and Communities	ALL	Troubled Families - Results based funding to support families meeting certain criteria. Verification of a sample of claims prior to one of the claim submissions in 2016, and a review of Outcomes Plan and procedures.	High	
People and Communities	ALL	European structural and investment funding for a project called Peterborough CLLD. Consultancy advice on robust record keeping systems to comply with funding criteria.	Medium	
Growth and Regeneration	ALL	LEP GCGPEP Bourges Boulevard Phase 1	High	
Growth and Regeneration	4,6	Carbon Reduction Commitment. Annual data validity audit and a review of changes to methodology.	High	
			<b>TOTAL AUDIT DAYS</b>	<b>50</b>

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	TOTAL
<b>OTHER RESOURCE PROVISIONS (CORPORATE SUPPORT)</b>			
Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.			
Carry Forward Activities	ALL	Provision for the completion of 2015-16 audits	50
Follow Up Provision	ALL	Revisiting audits after 6 months to monitor the implementation of recommendations	30
Requested Work Contingency	ALL	Allowance exists to provide flexibility within the audit plan for time spent on providing risk and control advice to officers, management /members and ad hoc requests and consultancy work.	80
Committee Support	-	Production of reports and attendance at Council committees and boards	30
<b>TOTAL AUDIT DAYS</b>			<b>190</b>