PETERBOROUGH CITY COUNCIL INTERNAL AUDIT STRATEGY 2019/20

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 2019/20. 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 an ever changing risk and control environment, it is important that audit plans can adapt quickly to the needs of the Council. To ensure the plan is flexible and meets the needs of the organisation in real time an assessment and planning tool will be used throughout the year on a rolling basis. This approach has been in operation since 2018 and has the advantage that each selected piece of work is the right one.

2.2　In February 2019 Audit Committee, received and discussed some emerging themes as part of the 2019/20 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:

- **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 along with the potential impact of Brexit.
- **Corporate governance,** including risk management, Business Continuity and Disaster Recovery arrangements.
- **Counter Fraud**. Taking a proactive approach, participation in the 2019 NFI initiative and building on the anti-fraud culture within the authority.

- **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;
- **Other Service Delivery Governance**. With the formation of Peterborough Ltd along with greater emphasis on shared services and joint ventures;
- **Information governance,** particularly in relation to new regulations such as GDPR and IT security;
- **Schools.** Governance, statutory and financial management processes;
- **IT and Digital Strategies.** Changes to systems as the organisation migrates towards Office 360 and arrangements for agile working.
- **Grants** and the requirement for independent verification and certification.

2.3   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.

2.4   The Annual Audit Plan was then compiled on the basis 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.
- Information from other assurance providers.
- An allowance for statutory activities, ad hoc consultancy, planning and progress reporting and follow-up reviews.

2.5   During the year, we will apply our assessment tool to any new risks that emerge or concerns that are raised, and thus determine its priority for review compared to those areas already in the plan. Coordination between Internal Audit and Risk Management functions is of value here in "horizon scanning" such that emerging local and national risks are identified and can be covered in audit work where appropriate. This new aspect of our planning methodology means that we cannot state with certainty which audits will be undertaken, however we will be able to ensure that each next piece of work is the highest priority one. Changes to the plan will be notified to the S151 officer and Audit Committee.

2.6   We will also plan to develop assurance frameworks on an ongoing basis. This will map the controls in key areas to the sources of assurance for those controls. It will provide valuable insight for management and will also give the Chief Internal Auditor an oversight of the control framework at the Council, which will feed into the Annual Opinion report at the end of the year. The assurance framework will be based on the Three Lines of Defence model, which categorises assurance according to its source:
- First Line of Defence: Operational managers and staff carrying out day to day responsibilities and monitoring activities.
- Second Line of Defence: Oversight functions that set policy and process and monitor implementation, such as HR, Finance, Health and Safety, Legal, Procurement, ICT and Property.
- Third Line of Defence: Independent assurance providers, such as Internal and External Audit as well as regulators.

3   AUDIT RESOURCES

3.1   The Internal Audit Service is provided by an in-house team with an establishment of 6.10 FTE (as detailed below):

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 Chief Internal Auditor is charged with management responsibility for both the Insurance and the Investigations Teams at Peterborough City Council, as well as undertaking any Stage 2 Corporate Complaints. Management of these activities equates to just over 0.5 FTE.

3. 3   We currently have a Senior Auditor vacancy (1 FTE). Should we not recruit, the impact on the plan as it currently stands is highlighted within Appendix C. The new planning methodology means it is not possible to say at the outset how our resources will be allocated, however, it can be seen that there are currently a number of audits rated High and Medium that we would not be able to complete.

3. 4   Any areas of audit activity that raises a conflicts of interest which could impair the objectivity of any work carried out is highlighted during audit planning or as individual reviews are scoped. Any issues presently arising relate to the Risk Management review where the Chief Internal Auditor sits on the Board and this may impair objectivity depending on what is included within the review. Our Charter states that such audits will be reviewed independently from the CIA, and the Group Auditors will report directly to the Acting Corporate Director of Resources. However, this too may present a conflict of interests. We will determine the most appropriate course of action before undertaking this piece of work. We will also continue to monitor any conflicts of interest on a case by case basis and either re-allocate work accordingly, or notify the S151 officer and Audit Committee should we not be able to accommodate a piece of work.

4   QUALITY ASSURANCE AND IMPROVEMENT

4.1   The Internal Audit team will operate to the mandatory professional standards outlined in the Public Sector Internal Audit Standards (PSIAS). We will continue to monitor and improve the quality of our work 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 ability and provision through our membership of the Cambridge Audit Group, as well as other training providers such as the apprenticeship levy scheme. We will also make use of webinars, mentoring and sharing of information at team meetings.

- Post-audit questionnaires obtaining the views of auditees.
- Annual customer surveys to understand the requirements of management and their views on the quality of our service.
- Producing and implementing an improvement plan based on any self or externally assessed reviews of our work.

5   AUDIT SERVICE DEVELOPMENT

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.   Planned developments for 2019/20 include:

- Implementation and further development of our Quality Improvement Assurance Plan
- An update of our follow-up process, to improve efficiency and ensure all actions are tracked and easily reportable.
- A review of our post-audit questionnaire, with the aim of increasing its return rate using electronic surveys.
- Areas for staff development have been identified around commercialisation and joint venture arrangements. Consideration is being given as to how best training can be delivered for these subject areas. Additionally during the year other training opportunities available to support staff development such as apprenticeships via the Apprenticeship Levy Scheme will be explored.
- Ongoing upgrades of our audit software, to ensure we are making full use of best practice enhancements as well as preparing for the migration of the present system Pentana with MK Insights in 2020.

4   OVERVIEW OF PLAN

The Plan for 2019/20 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. Assurances from other providers will be utilised where appropriate. The current allocation of the estimated 780 available days (without recruitment) is shown in Table 1 below.   Should recruitment take place the % increase would predominantly be in areas such as Financial, Corporate and Information Governance along with Service Delivery risks. Further details of specific audit reviews can be found in Appendix D.

Table 1: Internal Audit Work Activities		
	Days:	%
Financial Governance	30	4
Corporate Governance	40	5
Information Governance	35	5
Anti-Fraud Culture	70	9
Other Service Delivery Governance	50	6
Service Delivery Risks	50	6
Procurement and Contracts	30	4
Programmes and Projects	40	5
Certification	85	11

Other Resource / Assurance Provisions	140	18
External Works	210	27
TOTAL RESOURCES ALLOCATED	**780**	**100.0**

4.1 Financial Governance

This covers audits of the main financial systems of the Council, which for 2019/20 includes a review of budgetary control and savings targets. Should more resources become available it will cover an allocation for the work we do in schools and reviews of finance systems such as payroll and council tax. We will co-ordinate our work with our External Auditors to ensure that there is no duplication of effort and to obtain any assurance from the work that they do.

4.2 Corporate Governance

The work outlined in this section provides a high level overview of the governance arrangements at the Council, including the operation of the new board structure, compliance with the Code of Corporate Governance and input to the Annual Governance Statement. We will also continue to be involved in the new Risk Management board.

4.3 Information Governance

In this area we are planning to review Business Continuity controls over cyber security. We will also continue to attend the Strategic Information Governance Board, providing consultancy advice on the policy framework and emerging issues.

4.4 Other Service Delivery

With the forming of Peterborough Ltd (LATCo) a number of reviews will be undertaken within the company focussing on areas such as HR processes, Information Governance, services provided such as statutory testing and income recognition.

4.5 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 pro-active fraud detection (including work in relation to the National Fraud Initiative); some consultancy work in raising awareness and promoting an anti-fraud culture, and a small contingency for investigations into suspected irregularities. We will work with the Investigations Team where appropriate.

4.6 Service Delivery Risks

We have included a number of reviews in this area including community and growth related issues such as homelessness the joint venture with Cross Keys which aims to deliver housing to help to alleviate the problem of homelessness in Peterborough along with the Community Infrastructure Levy (formerly

S106). Our work will also include the production of an assurance map covering safeguarding processes and controls, and we will review the assurances obtained from the CQC, Ofsted and any other external assurance providers.

4.7 Procurement and Contracts

We assess the management of contracts as high priority at a strategic level and always include time in our plan, however, specific contracts are assessed as the need arises. One area which has already been highlighted for review is the Serco ICT contract.

4.8 Programmes and Projects

We assess the management of projects as high priority at a strategic level and always include time in our plan, however, specific projects are assessed as the need arises. We will review projects to ensure appropriate business cases have been made and that they are being managed effectively. This may also include a look at business benefits realisations, as the large transformation projects are key to the delivery of efficiencies and therefore necessary savings.

4.9 Grant Certification

As a result of the Council 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 requirements, such as Troubled Families programme (known locally as Connecting Families) and the Carbon Reduction Commitment.

4.10 Other Resource Provisions

This area includes time for:
- Completing 2018-19 audits that have yet to be finalised at the beginning of 2019-20
- 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.
- 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 Service Improvement Plans and review of Internal Audit effectiveness

4.11 External Works

PCC Internal Audit provides audit services to Vivacity–Peterborough (since 2010) and the new Combined Authority (from May 2017). Both are managed through a Service Level Agreements and costs are chargeable. The work undertaken is client confidential and is reported to the organisations' own audit committees. A small amount of chargeable work is occasionally carried out for schools, specifically grant certifications.