

PETERBOROUGH CITY COUNCIL INTERNAL AUDIT STRATEGY 2020 / 2021
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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 2020 / 2021. 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 January 2020 Audit Committee, received and discussed some emerging themes as part of the 2020/21 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** – an overview of governance arrangements not covered elsewhere, as well as compliance with our Local Code of Governance.
- **Financial Governance** – a key area considering the financial pressures faces by the council, and covering major financial systems.
- **Information Governance** - this includes data protection and management arrangements, including IT security, as well as major changes to IT infrastructure.
- **Contracts and Procurement** - this is an essential component of the audit process, especially given the dependence on external suppliers and partners.
- **Projects and Programmes** – there are a number of large projects designed to introduce new ways of working and to increase efficiency and cost effectiveness.
- **Service Delivery** - including those services delivered internally and by external bodies, such as joint ventures or wholly owned companies, and also within shared service arrangements.
- **Cyclical / Annual** - this includes work that is required rather than risk assessed, for example independent verification and grant certification; cyclical reviews of schools and our annual involvement in the National Fraud Initiative.

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 re-assess 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 such that emerging local and national risks are identified. 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 continue to develop assurance frameworks. 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). The team is currently fully resourced, having recruited a Senior Auditor in 2019-20.

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 reviews. Management of these activities equates to approximately 0.5 FTE. Additionally, the Internal Audit Team provide audit services to two external organisations and the planned resource requirement for this is 1.3 FTE (split across all team). Thus the remaining FTE available to provide an audit service to Peterborough City Council is 4.3 FTE.

3.3 The flexible planning methodology means it is not possible to say at the outset how our resources will be utilised throughout the year. However, during the planning process we consider (and have management requests for) more areas for review than we have the resources to cover. **Appendix D** shows those areas (shaded) that we are currently predicting that we will not be able to cover based on our current resource levels and the risk profiling of audit areas.

- 3.4 Resource requirements are reviewed each year during this planning process, however, there is an additional review currently underway as part of the Budget 2020 process. This includes investigation of a shared service arrangement with Cambridgeshire County Council, as well as the possibility of reducing staffing numbers. 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 accordingly.
- 3.5 We are not aware of any work included within our plan which presents a conflict of interests for any team members. We will keep this under review during the year as individual reviews are scoped. Should a conflict arise, our Charter states that such audits will be reviewed independently from the CIA and we will determine the most appropriate arrangements at the time.

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 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.
 - 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 2020 / 2021 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 survey of senior management to understand their thoughts on the work that we do, and to assist in shaping the Internal Audit service going forward;
 - 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 alternative service delivery mechanisms such as joint venture arrangements. Consideration is being given as to how best training can be delivered for these subject areas; and

- 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 MKInsights in 2020.

6 OVERVIEW OF PLAN

The Plan for 2020 / 2021 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 956 available days is shown in Table 1 below. Further details of specific audit reviews can be found in Appendix D.

TABLE 1: ANALYSIS OF AUDIT ACTIVITY BY CATERGORY		
Internal Audit Work Activities	Days	%
Corporate Governance	55	6
Financial Governance	57	6
Information Governance	35	4
Procurement and Contracts	60	6
Programmes and Projects	42	4
Service Delivery	127	13
Cyclical/Annual	140	15
Other Resource / Assurance Provisions	175	18
Delivery of Audit Externally	266	28
TOTAL RESOURCES ALLOCATED	957	100

6.1 Financial Governance

This covers audits of the main financial systems of the Council, which for 2020 / 2021 includes a review of the payments module within Mosaic (the Adult Social Care IT system) and the Direct Payments process, also within Adult Social Care. A key area of activity relates to the Councils budget position, and we will monitor the processes in place that ensure savings targets are robust and achieved. Many other aspects of our work will have a financial element to them, such as our reviews of contracts, projects, grants and schools. We will coordinate 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.

6.2 Corporate Governance

The work outlined in this section provides a high level overview of the governance arrangements at the Council, including the reshaping of Human Resources and Finance functions and the planned up-skilling of managers, compliance with the Code of Corporate Governance and input to the Annual Governance Statement. We will also continue to be involved in the Risk Management Board.

6.3 Information Governance

In this area we are planning to review the protocol for dealing with a cyber security incident, along with an overview of the project to merge the Peterborough and Cambridgeshire ICT estate and its impact on data security. We will also continue to attend the Strategic Information Governance Board, providing consultancy advice on the policy framework and emerging issues.

6.4 Other Service Delivery

Each year we aim to look at services delivered by external organisations in which we have an interest, such as joint ventures. This year that will include Medesham Homes and Aragon. We will also examine the shared services arrangements with Cambridgeshire and other authorities.

6.5 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 during this time of significant change in the Council, which will have an on impact staff and their working practices, increasing the risk of error and fraud. It will also include our annual work in relation to the National Fraud Initiative. Where suspected irregularities require investigating, we will re-prioritise our audit plan to enable time to be released from other audit work. We will also work with the Investigations Team where appropriate.

6.6 Service Delivery Risks

We have included a number of reviews in this area including temporary accommodation, parking services, licensing, asset management and the new Business Improvement District levy.

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. Those contracts we have identified so far for this year's plan are the Schools PFI, Passenger Transport and the Integrated Community Equipment Service contracts, but

we will continue to update our risk profile and may include others. We will also, as part of our follow-up process, review the amended contract with Norfolk Property Services.

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. This year we have the Climate Change Action Plan and the Peterborough Integrated Energy Infrastructure and Think Communities programmes identified for review. We will examine projects to ensure appropriate business cases have been made and that they are being managed effectively to achieve their objectives. 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.

6.9 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 independent examination of the Mayor's Charities accounts.

6.10 Other Resource Provisions

This area includes time for:

- Completing 2019 / 2020 audits that have yet to be finalised at the beginning of 2020 / 2021
- 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; and
- Review and update of the Internal Audit Charter and Ethics statement, Quality Service Improvement Plans and review of Internal Audit effectiveness

6.11 External Works

PCC Internal Audit provides audit services to Vivacity-Peterborough (since 2010) and the Cambridgeshire and Peterborough 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.

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