

PETERBOROUGH CITY COUNCIL INTERNAL AUDIT STRATEGY 2021/22

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 2021/22. 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 2021 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, impending changes to legislation resulting from Brexit, the financial assurance required for Covid-19 expenditure validation 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. Joint authority projects with Cambridgeshire County Council are also evolving where there are instances of shared service delivery.
- **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, as we emerge from the pandemic and any new ways of working become the new normal we will re-assess any new risks that may materialise or concerns that are raised. New resultant pieces of work will be determined by 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. The Chief Internal Auditor has recently taken over responsibility for the Risk Management function which should help to further develop the timely communication of emerging risks with the Internal Audit team. Our planning methodology does mean 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 and therefore of benefit for the organisations assurance process. 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 FTE (as detailed below). The team is not currently fully resourced, due to vacancy for a Senior Auditor arising during 2020-21.

Post Name	FTE
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Chief Internal Auditor	1.00	
Group Auditor	1.60	
Principal Auditor	0.50	
Senior Auditor	2.00	
Auditor	1.00	
 Total establishment	 <table border="1"><tr><td>6.10</td></tr></table>	6.10
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 along with the recent addition of Risk Management. Management of these activities equates to approximately 0.5 FTE. The team holds a vacancy for a senior auditor and this position will be monitored during the year with regards to approval to recruit. After adjusting for this the remaining FTE available to provide an audit service to Peterborough City Council is 4.6 FTE.
- 3.3 Resource requirements are reviewed each year during this planning process. During 2020 some staff resources were diverted to support the hub activities as a result of the pandemic. At the time of this report one member of the team is due to return to their substantive post and resources have been calculated on that basis. However if this arrangement is extended further there may be a reduction in the deliverability of days as a result. The market is presently being tested for temporary resources to help bridge this shortfall should the situation arise.
- 3.4 The audit team is developing a working protocol with Cambridgeshire County Internal Audit services to help eliminate areas of duplication, which is being presented as part of this annual reporting process (see Appendix 1 – within the Audit Charter). Arrangements are subject to approval and at a preliminary stage but both Chief Internal Auditors are discussing the potential and feasibility to share resources in relation to the graduate scheme operated within CCC.
- 3.5 The new 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.
- 3.6 The audit plan does identify a conflict of interests for the Chief Internal Auditor regarding the risk management review. Our Charter states that such audits will be reviewed independently from the CIA and we will determine the most appropriate arrangements at the time. We will continue to keep this under review during the year as individual reviews are scoped to identify and new conflicts arising.

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 2021/22 include:

- Developing and implementing a joint working protocol in collaboration with Cambridgeshire County Council where there is an overlap of coverage to avoid duplication and improve efficiencies.
- 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 will continue around commercialisation such as joint venture arrangements, contracting as a result of Brexit and legislative changes along with fraud upskilling. Consideration around training and its delivery will be subject to available resources, making use of any available free online training and in-house sharing of knowledge.
- The internal audit team will also be supporting a member of the investigations team who will be undergoing an internal audit apprenticeship crossing 2-3 years to not only fulfil the requirements of the training programme but also help to develop a long term flexible working arrangement across the two teams.
- Ongoing upgrades of our audit software, to ensure we are making full use of best practice enhancements.

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6 OVERVIEW OF PLAN

The Plan for 2021/22 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 and in accordance with the proposed working protocol with Cambridgeshire this may result in some reviews being delivered by one authority in providing assurance for both organisations. Where this may be the case the audits are identified within Appendix D. The days available that could be achieved with a full establishment are 896 as detailed in the table below along with the deliverable days for the current staffing levels identified as 706. Further details of specific audit reviews can be found in Appendix D.

Internal Audit Work Activities	Full Establishment	%	Current Days	%
Corporate Governance	110	12	75	11
Financial Governance	195	22	135	19
Information Governance	45	5	30	4

Procurement and Contracts	60	7	60	9
Programmes and Projects	90	10	40	6
Service Delivery	100	11	70	10
Cyclical/Annual	112	13	112	16
Other Resource / Assurance Provisions	184	20	184	25
TOTAL RESOURCES ALLOCATED	896	100	706	100

6.1 Financial Governance

This will continue to cover a range of assurance and verification work relating to government support grants. We will look to verify compliance with spending controls and decisions and to detect fraud. A key area is our budget position, and we will monitor the processes in place that ensure savings targets are robust and achieved. We will also contribute to the NXG exercise which will review operating processes to identify and prevent past and future duplicate payments. Many other aspects of our work will have a financial element to them, such as our reviews of contracts, projects and service delivery reviews. 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.

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 absence management system, an overarching review of corporate governance compliance including the local Code and input to the Annual Governance Statement. We will also be reviewing the risk management which incorporates the Risk Management Board.

6.3 Information Governance

In this area we are planning to review arrangements to deal with the risks to data and systems due to the increased level of fraudulent activity, along with the significant level of home working. 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 the governance arrangements relating to the insourcing of the Vivacity Leisure Trust which is being managed by the City College in relation to arts and culture and Aragon for sports and leisure activities.

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 internal audit have a key role. Where suspected irregularities require prompt reactive 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 property management, ICT service delivery, Parking Services and safeguarding clients assets.

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 revised arrangements with Skanska and the Integrated Community Equipment Service contracts, but we will continue to update our risk profile which result in including others. Procurement arrangements are due to change in 2022 as a result of Brexit and internal audit will review that process as more details become available.

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 included areas such as the housing revenue account, the regional pool replacement facility and the IT disaster recovery project. 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 increased during 2020 and will continue into 2021 so days allowed remain higher than prior to the pandemic. 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), Disabled Facilities and the Transport related grants from the Combined Authority.

6.10 Other Resource Provisions

This area includes time for:

- Completing 2012/21 audits that have yet to be finalised at the beginning of 2021/22
- 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

6.11 **External Works**

PCC Internal Audit previously provided audit services to the Combined Authority, however this arrangement concluded during 2020 along with the service level agreement with Vivacity as a result of its insourcing back within the authority. Whilst there is no provision for external works to be delivered during the year, should the request or demand arise it will be assessed in terms of deliverability and the impact on the audit plan. Any changes will be reported to audit committee in accordance with the reporting cycle.

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