

**PETERBOROUGH CITY COUNCIL  
INTERNAL AUDIT STRATEGY 2022/3**

**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 2022/3. 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 2022 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

- 2.3 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.
  - Assurance from other sources, including Cambridgeshire County Council audit plans in respect of our shared services.
  - An allowance for statutory activities, ad hoc consultancy, planning and progress reporting and follow-up reviews.
- 2.5 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 higher-than-normal level of change during 2022/3 due to the activities being undertaken as part of the Improvement Plan. These reviews of our governance arrangements, financial resilience, operating model and service delivery will result in changes to our risk governance and control framework, and we will keep activities and outcomes under review to determine the impact on our plans.
- 2.6 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 4 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 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 oversight of Risk Management. Management of these activities equates to approximately 0.5 FTE. The team holds a vacancy for a senior auditor, due to secondment to the Covid Co-ordination Hub. After adjusting for this the remaining FTE available to provide an audit service to Peterborough City Council is 4.6 FTE.
- 3.3 The audit team has a working protocol with Cambridgeshire County Internal Audit services. Peterborough City and Cambridgeshire County Councils operate shared services in many areas, requiring both audit teams to provide assurances to their respective management teams and audit committees. We liaise with our Cambridgeshire colleagues to minimise duplication, use resources efficiently, and to place reliance on each other's work where possible.
- 3.4 The audit plan does identify a conflict of interests regarding the risk management review, due to the Chief Internal Auditor's role in Risk Management. Our Charter states that such audits will be reviewed independently from the Chief Internal Auditor, 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. We will continue to develop and implement our Quality Assurance Improvement Plan, including the following:
- Continued development of our joint working protocol with Cambridgeshire County Council to improve efficiency and share best practice.
  - 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.
  - Update our follow-up process, 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.

## 6 OVERVIEW OF PLAN

- 6.1 The Plan for 2022/3 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. The plan is based on 4.6 FTE, our currently available resources, which equates to 760 days. Appendix D lists the planned audits achievable within current resource levels, but also provides details of other high priority audits that have been considered as part of this planning process. Discussions are ongoing about the seconded post and the impact on our plans.
- 6.2 The detailed plan at APPENDIX D also identifies where our audits align to departmental and corporate risks. It should be noted that risk registers are in the process of being updated to refocus on business-as-usual risks following Covid, and therefore we have placed reliance on a variety of other sources of information to determine areas for review.
- 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. A full establishment will also offer the opportunity to provide fuller coverage of service delivery activities, which will be important given the likely changes occurring as part of the Improvement Plan. It will also enable us to increase our focus on contracts and procurement, an area that is key to the council's financial success.

<b>Internal Audit Work Areas</b>	<b>Current Days Available</b>	<b>%</b>	<b>Full Establishment Days Available</b>	<b>%</b>
Corporate Governance	75	10	85	9
Financial Governance	115	15	140	15
Information Governance	50	6	65	7
Procurement and Contracts	50	7	80	8
Programmes and Projects	45	6	45	5
Service Delivery	45	6	125	13
External Organisations	20	3	50	5
Certification & Verification	100	13	100	11
Other Resource Provisions	260	34	260	27
<b>TOTAL RESOURCES</b>	<b>760</b>	<b>100</b>	<b>950</b>	<b>100</b>

### 6.1 Financial Governance

We have a strong focus on financial governance this year given the well documented financial issues facing the Council and as a key theme in the Improvement Plan. We will look at the new Financial Operating Framework to ensure adequate controls are built into our financial governance procedures. We will also review the plans in place to ensure we achieve our savings targets, as well as how we charge for services and recover debts. Three of our key financial systems are included and this is based on our risk assessment rather than a cyclical approach. Many of our other audits will pick up on financial aspects, including our reviews of contracts and projects.

### 6.2 Corporate Governance

This is another key theme in the Improvement Plan. Our plan provides a high-level overview of the governance arrangements at the Council, including Human Resources management, how we make and approve decisions, Risk Management and a review of compliance with the Local Code of Governance. We will continue to attend the Risk Management Board. The Chief Internal Auditor also provides input to the Annual Governance Statement.

### **6.3 Information Governance**

This theme includes our work on IT, an area that used to be provided under our contract with Serco, but which returned to the Council last year under a shared service arrangement with Cambridge County. We are planning to review Cyber Security, including a more detailed review of remote working arrangements, and Disaster Recovery arrangements. We will also look at our compliance with GDPR legislation and Payment Card industry standards. 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. This is an area that is to be reviewed as part of the Improvement Plan, and the scope of the review is currently in development. We have included time for an audit of the assurance framework for a joint venture with the Cambridgeshire and Peterborough Combined Authority and Anglia Ruskin University, and any further work will be considered during the year. We intend to review any new arrangements that are implemented to oversee external organisations once they are embedded, which may be this year or next year.

### **6.6 Service Delivery**

Again, service delivery is a key theme in the Improvement Plan, and we are currently awaiting information on the scope of those reviews, and any outcomes, which may impact on the work we decide to do. We have however included time for a review of our property management system and safeguarding assurances. In line with our corporate commitment to tackling climate change, we will look at operational activities during a variety of audits to determine their impact on our Climate Change Action Plan targets.

### **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. We will not look at those contracts being reviewed as part of the Improvement Plan but have incorporated the contract management of two large contracts in our plan, along with a high-level review of tendering processes carried out by our procurement team, and others.

### **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. Two major systems implementation projects have been included. We will examine projects to ensure appropriate business cases have been made and that they are being managed effectively to achieve their objectives. The Improvement Plan itself is being managed as a programme, with a number of crucial projects being managed by officers across the council. We will provide assurance that appropriate project management principles are being applied.

## **6.9 Certification and Verification**

As a result of the Council continuing to receive and obtain grant funding, and particularly as a result of additional Covid 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 Troubled Families programme (to become Supporting Families), an annual financial audit of the Mayor's Charity and Business Support grant assurance work. The latter has been a requirement in 21/2 and continues into 22/3 but we anticipate that it will cease after that.

## **6.10 Other Resource Provisions**

This area includes time for:

- Completing 2021/2 audits that have yet to be finalised at the beginning of 2022/3
- 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 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.