

AUDIT COMMITTEE	AGENDA ITEM No. 6
30 JANUARY 2023	PUBLIC REPORT

Report of:	Cecilie Booth – Executive Director of Corporate Services and S151 Officer	
Cabinet Member(s) responsible:	Councillor Coles – Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557

INTERNAL AUDIT PLAN 2023 / 2024: APPROACH TO AUDIT PLANNING

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: Audit Committee 30 January 2023
<p>It is recommended that the Audit Committee:</p> <ol style="list-style-type: none"> Note and comment upon the emerging themes to be considered for inclusion in the 2023 / 2024 Internal Audit Plan. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to the Audit Committee as a routine planned report on the development of the 2023 / 2024 Internal Audit plans.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to provide Members with details of Internal Audit’s annual planning approach and emerging issues and risks that Internal Audit need to provide assurance over. It provides an opportunity to consult with Members in considering these themes and to provide input into the development of the Audit Plan as appropriate.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.9 “To commission work from internal and external audit”.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND KEY ISSUES

4.1 INTRODUCTION

4.1.1 In accordance with the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive must develop a risk-based plan to determine the priorities of the internal audit activity. It must also explain how the planned assurance delivery links to the organisational objectives and priorities.

- 4.1.2 Within Peterborough City Council (PCC), the role of Chief Audit Executive is undertaken by the Chief Internal Auditor. The Internal Audit Team comprises 6.1 Full Time Equivalent staff. We currently have two vacancies (*) and the Chief Internal Auditor's time is split with two other teams - Insurance and Investigations. In year, risk management responsibilities have been transferred elsewhere within Corporate Services and steps have been taken to reposition corporate complaints and instances of gross misconduct.

	Number	FTE
Chief Internal Auditor	1	1.00
Group Auditor	2	1.60
Principal Auditor	1	0.50
Senior Auditor	2 *	2.00
Auditor	1	1.00

There is on-going dialogue with the Audit Committee regarding the resourcing issues within the team and it is subject to an action update within this meeting agenda.

Long and short term solutions are being sought by way of permanent or temporary appointments where the former is not possible.

- 4.1.3 In an ever-changing risk and control environment it is important that audit plans can adapt quickly to the needs of the organisation. To ensure a flexible and prioritised approach to our work, we utilise an assessment and planning tool which is used throughout the year on a rolling basis. This helps to ensure that at the point of each piece of work commencing, it is the next highest priority one according to our risk assessment.

- 4.1.4 This year, and beyond, we will ensure that our planning process aligns with the activities being undertaken under the Improvement Plan. We will keep informed of the scope and timing of reviews to ensure that we do not duplicate coverage or overlap timescales where possible. We will also ensure we have a strong focus in our plan on areas that feed into the themes of financial sustainability and governance. We are also aware that the outcomes of the various reviews will result in changes to service delivery, including new or changed risk, control and governance structures and processes. Our flexible planning will ensure that we take account of these and build them into our programme of work where appropriate. Additionally, the outcome of some Improvement Plan reviews may provide assurance that can feed into our Annual Audit Opinion at the end of 2023-24 and we will assess whether this is appropriate throughout the year.

- 4.1.5 With effect from 23 January 2023, the Chief Internal Auditor has been appointed to provide officer representation on the Board of Peterborough Limited. This follows a series of changes and resignations across a number of Council bodies. Agreement was sought and agreed by the Leader of the Council to this appointment. This will involve attendance at Board meetings, which typically occur 4/5 per annum. Discussions have been held between the Executive Director of Corporate Services and the Director of Law & Governance and Monitoring Officer to ensure that appropriate protocols are in place to maintain clear lines of independence. Internal Audit working practices will be revisited / reviewed to take account of this. It will also be reflected in the overarching Audit Charter and Audit Strategy documents which are planned for the March 2023 Audit Committee agenda.

4.2 APPROACH

- 4.2.1 Consultation and research is currently underway to determine possible themes and areas for audit work. This includes consulting with senior management and reviewing risk registers, budgets, plans and strategies, decisions, project and contract registers. There is ongoing work within the organisation regarding structural changes as services are being brought back in house and also strategy development as part of the Business Improvement Teams activities. We will continue to review this and incorporate any audit activities as part of this consultation period.

- 4.2.2 The potential areas for review that this generates will then be subject to an assessment, using our planning tool (see **Appendix A** for details). The key factors being assessed are:

- **Materiality:** The size of a system or process in terms of financial value or numbers 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.

The assessment tool is designed to ensure that our work is aligned to organisational objectives and priorities.

- 4.2.3 The Annual Internal Audit Plan will be compiled using our knowledge 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 available from other sources.
 - Cambridgeshire County Council Internal Audit plans in relation to any shared services.
 - An allowance for statutory activities, grant certifications, supporting the democratic process and follow-up reviews.
- 4.2.4 The Draft Annual Internal Audit Plan will be presented to the Audit Committee at the 20 March meeting. It will show all audits assessed as high priority but will distinguish between those achievable within current audit resources and those which are not.
- 4.2.5 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.
- 4.2.6 Co-ordination between Internal Audit and the Risk Management Board/risk functions can assist this process in identifying emerging local and national risks and areas that need to be covered in audit work where appropriate.

4.3 **THEMES EMERGING**

- 4.3.1 Our initial stages of planning have identified the following broad themes for inclusion in our risk assessment process. Work is still on-going
- 4.3.2 Financial Governance
- Arrangements for ensuring that savings proposals are tracked and being achieved.
 - Review of Financial Regulations and Contract Standing orders
 - Financial Systems – e.g. Council Tax / Council Tax Reduction Scheme, Accounts Payable and Debt Recovery
 - Income generating activities – charging policy, accurate billing and debt recovery
- 4.3.3 Information Governance
- The operation of new or upgraded IT systems (Insight Spend data analysis tool)
 - Cyber Security to include Phishing
 - Information Governance – compliance with policies
 - Attendance at Strategic Information Board
- 4.3.4 Corporate Governance
- Attendance at the Risk Management Board
 - Compliance with our Code of Corporate Governance.
 - Annual Governance Statement
 - Compliance with corporate policies
 - Company structures and Joint Vehicles

- 4.3.5 External Companies
 - Governance arrangements for the termination of NPS Joint Venture and new inhouse service of property services.
 - Opportunity Peterborough and it's integration into PCC
- 4.3.6 Contracts and Procurement
 - Contract management and open book reviews – (e.g. Befriender Services - re-settlement programme / relocation assistance scheme)
 - Procurement processes and procedures – in house team.
- 4.3.7 Project and Programme Management
 - Programme and Project governance arrangements
 - Project Management – compliance with policy on specific projects and the activities of the Business Improvement Team (e.g Early Payment Programme)
- 4.3.8 Environment
 - Climate Change Commitment – Organisational Resilience
- 4.3.9 Service Delivery
 - Changes to service delivery as a result of decisions to in-source/outsource or otherwise change the activities of major contracts or companies also incorporating the activities of the Business Improvement Team. (e.g. People and Communities)
 - Health and Safety
 - Direct Payments
 - Emergency Planning

5. CONSULTATION

- 5.1 Directors and Heads of Service have been invited to input into the planning process to date. Consideration of any information received has been incorporated into this report where applicable and further consultation is in train with Directors and their Management Teams.

The Audit Committee is similarly invited to input into the annual planning process by way of this report. Any areas identified will be assessed for inclusion within the plan in accordance with the planning tool (See Appendix A).

6. CORPORATE PRIORITIES

- 6.1 The annual audit plan is developed to consider and include the corporate priorities of the organisation to ensure that it adds value and assists in the business achieving positive outcomes. Audit activities undertaken will link to one or more of the priorities below depending on the individual scope and the associated risk profile.

1. *The Economy & Inclusive Growth*
 - *Environment (including a summary of the outcome of a completed Carbon Impact Assessment, to be submitted in full to the Transport and Environment Team)*
 - *Homes and Workplaces*
 - *Jobs and Money*
2. *Our Places & Communities*
 - *Places and Safety (including any rural implications)*
 - *Lives and Work*
 - *Health and Wellbeing*
3. *Prevention, Independence & Resilience*
 - *Educations and Skills for All*
 - *Adults*
 - *Children*
4. *Sustainable Future City Council*

- *How we Work*
- *How we Serve*
- *How we Enable*

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 Audit Committee note and comment on the contents of this report.

8. REASON FOR THE RECOMMENDATION

8.1 To provide members with an insight into the development of the audit plan to provide assurance to the Council on its governance and operations.

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 None

10. IMPLICATIONS

Financial Implications

10.1 The Audit Plan needs to be deliverable within available resources and the achievement of the audit plan will require that the current structure remains essentially intact throughout the year. Resource requirements are reviewed each year during the planning process.

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.

Legal Implications

10.2 The Accounts and Audit regulations 2015 require the Council to have a sound system of internal control which includes effective arrangements for the management of risk, controls and governance.

Equalities Implications

10.3 The identification of risks and the proper management of those risks will ensure that:

- The Councils environmental policies and ambitions can be met; the Council is able to mitigate against potential financial losses, litigation claims and reputational damage; the Council is able to effectively deliver the strategic priorities.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 None.

12. APPENDICES

12.1 Appendix A – Internal Audit Planning and Assessment Tool

INTERNAL AUDIT PLANNING AND ASSESSMENT TOOL

<i>Category</i>	<i>Weight</i>	<i>Description</i>	<i>Total Possible Category Score</i>
Materiality	2	Value (budgeted income and expenditure; contract values; project costs etc.) and volume (number of transactions, number of staff/public affected). 1= up to £100k or 100 transactions 2= £100k-£1m, or 100-1000 transactions 3= £1-10m, or 1000-10,000 transactions 4= £10-£100m, 10,000 or 100,000 transactions 5= £100m plus, or 100,000 plus transactions Score 1 to 5 (1= low, 5 = high).	10
Stability	2	Amount of change within a system or process. Growth in size or responsibilities; staff turn-over; legislative change; new or upgraded IT systems; cultural change; new service delivery models; significant internal policy change. Score 1 to 5 (1= low, 5 = high)	10
Vulnerability	3	Inherent risks (fraud, corruption, error, commercial or sensitive information, health and safety, vulnerable adults and children). Control environment (limited central control or ownership, poor physical security, high turn-over of staff, complexity of systems and processes, poor SoD, lack of expertise) Score 1 to 5 (1= low, 5 = high)	15
Corporate Importance	5	Dependence on the system to meet regulatory requirements or corporate priorities and objectives. Score 1-5 (1= low, 5= high)	25
Specific Concerns	4	Concerns and risk assessment of management and auditors. Review risk registers, specific areas raised by management, audit intelligence. score 1-5 (1= low, 5= high)	20
Total Possible Overall Score			80

Prioritisation Schedule

>50	High Priority	30-50	Medium Priority	< 30	Low Priority
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