

**PETERBOROUGH CITY COUNCIL  
INTERNAL AUDIT STRATEGY 2023/24**

**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 2023/24. 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 2023/24 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 CIA also has line management responsibility for the Insurance function and the Corporate Investigations team as well as the Internal Audit function. A recent appointment to the board of Peterborough Limited until the end of the municipal year will also utilise CIA resource time but this is not anticipated to be significant. These activities equate to approximately 0.4 FTE.
- 3.3 There has been significant efforts made to recruit to 2 vacant senior auditor posts during 2022/23. One senior auditor is due to join the team as a permanent employee in May as an 80% FTE with the remaining vacancy being covered by an agency resource for 2 months into 2023/24 whilst another recruitment exercise is undertaken. There is an assumption that this post will be filled in Qtr1 but a conservative reduction in time of 1 month has been made to the available time as a precaution. After adjusting for both posts and the reduction in time for the CIA's other responsibilities, the remaining FTE available to provide an audit service to Peterborough City Council is 5.4 FTE.
- 3.4 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. During 2023/24 there will be some changes to the shared service arrangements across the two authorities but this will be monitored and the teams will continue to place reliance on each other's work where appropriate.
- 3.5 The audit plan does identify conflict of interests regarding the work to be undertaken in relation to Aragon and Peterborough Ltd., due to the Chief Internal Auditor's temporary role on the board of Peterborough Ltd. 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 any 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:

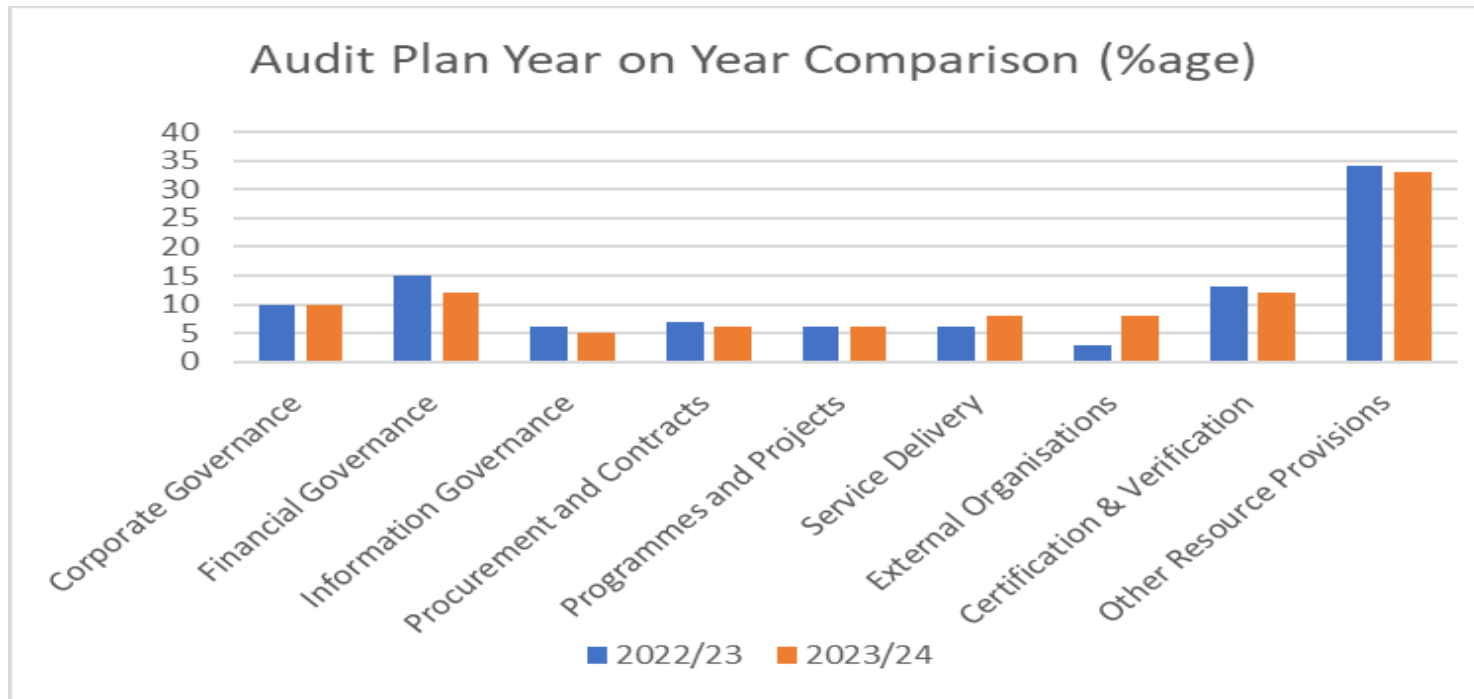
- Development of an assurance framework in conjunction with the business.
- Further development of our joint working protocol with Cambridgeshire County Council following any changes in shared services to improve efficiency and share best practice where appropriate.
- Review our reporting templates to 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 2023/24 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 5.4 FTE, our currently available resources, which equates to 844 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. APPENDIX D also identifies where our audits align to departmental and corporate risks.

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. The number of days available with a full establishment is 950, however with one Senior Auditor post due to be employed at 0.8 FTE and an adjustment for recruitment delays the current allocation of deliverable audit days is estimated as 844, resulting in a shortfall of 106 days.

Internal Audit Work Areas	Current Days Available	%
Corporate Governance	85	10
Financial Governance	105	12
Information Governance	39	5
Procurement and Contracts	45	6
Programmes and Projects	50	6
Service Delivery	70	8
External Organisations	70	8
Certification & Verification	100	12
Other Resource Provisions	280	33
<b>TOTAL RESOURCES</b>	<b>844</b>	<b>100</b>



### 6.3 Corporate Governance

Our plan provides a high-level overview of the governance arrangements at the Council, including Programme Board management, Risk Management and a review of how assurance is gained within the organisation. This is also a key theme resulting from business improvement being undertaken across the authority. We will continue to attend the Risk Management Board providing a critical friend role and consultancy advice.

### 6.4 Financial Governance

We have a strong focus on financial governance in accordance with financial issues facing the Council. We will look at financial resilience of the authority utilising the Cipfa toolkit and provide advice on the new Financial Operating Framework to ensure adequate controls are built into our financial governance procedures.. Three of our key financial systems are included and this is based on our risk assessment rather than a cyclical approach. We will also review how we charge for services and recover debts across some services along with many of our other audits picking up on financial aspects, including our reviews of contracts and projects.

## **6.5 Information Governance**

This theme includes our work on IT, which is delivered as a shared service arrangement with Cambridge County. We are planning to continue review work around Cyber Security, particularly including arrangements to mitigate the risk and impact of phishing attacks. We will also look at our compliance with GDPR legislation. We will continue to attend the Strategic Information Governance Board, providing consultancy advice on the policy framework and emerging issues.

## **6.6 Procurement and Contracts**

We assess the management of contracts as high priority at a strategic level and always include time in our plan. Procurement services was previously delivered by Serco but transferred into the authority during last year. We will continue to liaise with the team as they develop their in house systems. Three contracts have been identified for review during the year, the highways and maintenance contract – Milestone, Care and Repair and the Resettlement Contracts.

## **6.7 Programmes and Projects**

We assess the management of projects as high priority at a strategic level and always include time in our plan. The 4 Programme Boards are intended to oversee the projects resulting from the Improvement Plan with projects being managed by officers across the council and some of the audit activities will look for assurance around project monitoring in this area. Four projects will be reviewed and we will examine projects to ensure appropriate business cases have been made and that they are being managed effectively to achieve their objectives. We will provide assurance that appropriate project management principles are being applied. Three additional projects are identified as below the line but if additional days become available or there is a change in project priority they may be undertaken.

## **6.8 Service Delivery**

Again, service delivery is a key theme in the Improvement Plan with some shared service arrangement due to change during 2023/24. We will continue to monitor and reprioritise audit requirements during the year. We have included time for property services as a result of the team being brought back in house from Norfolk Property Services. In line with our corporate commitment to tackling climate change, we will continue to work with Climate Change Team to look at how operational activities can be built into our audits to determine their impact on our Climate Change Action Plan targets. In terms of other activities that may have an impact on services we are aware of the Adult Social Care reform that is due to be discussed during the year and we will monitor to determine if any audit work may be required.

## **6.9 External Organisations**

Each year we aim to look at services delivered by external organisations in which we have an interest, such as joint ventures. We have included time to review Peterborough Investment Partnership along with an overarching governance review of the other external bodies. The scope for the latter will be further defined once the constitutional review of the council is formalised to avoid any duplication. We have programmed some work with Aragon and City College which presently operates to an arms length arrangement. 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.

## 6.10 Certification and Verification

As a result of the Council continuing to receive and obtain grant 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 the Supporting Families programme, an annual financial audit of the Mayor's Charity and Business Support grant assurance work. The latter has been a requirement in 21/22 and continues into 22/23 but we anticipate that whilst there may be some work arising it will be minimal.

## 6.11 Other Resource Provisions

This area includes time for:

- Completing 2022/23 audits that have yet to be finalised at the beginning of 2023/24
- 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
- As part of placing assurance across the organisation, an assurance mapping exercise will continue. (Will be included as part of annual Audit Opinion reports).

## 6.12 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.

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