

AUDIT COMMITTEE	AGENDA ITEM No. 7
29 JANUARY 2024	PUBLIC REPORT

Report of:	Cecilie Booth – Executive Director of Corporate Services and s.151 Officer		
Cabinet Member(s) responsible:	Councillor Howard – Cabinet Member for Corporate Governance and Finance		
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384557	

INTERNAL AUDIT PLAN 2024 / 2025: APPROACH TO AUDIT PLANNING

RECOMMENDATIONS	
FROM: Steve Crabtree, Chief Internal Auditor	Deadline date: N/A
<p>1. It is recommended that Audit Committee note and comment upon the emerging themes to be considered for inclusion in the 2024 / 2025 Internal Audit Plan.</p>	

1.	ORIGIN OF REPORT		
1.1	This report is submitted to the Audit Committee as a routine planned report on the development of the 2024 / 2025 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 for Members to consider these themes and provide input into the development of the Audit Plan.		
2.2	This report is for Audit Committee to consider under its Terms of Reference No. 2.2.2.9 “ <i>To commission work from internal and external audit.</i> ”		
3.	TIMESCALES		
	Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting
			N/A
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 Senior Auditor vacancies* (a recruitment exercise is underway) and the Chief		

	<p>Internal Auditor's time is split with two other teams (Insurance and Investigations) and his role on the board of Peterborough Ltd.</p> <table border="1"> <thead> <tr> <th></th> <th>Number</th> <th>FTE</th> </tr> </thead> <tbody> <tr> <td>Chief Internal Auditor</td> <td>1</td> <td>1.00</td> </tr> <tr> <td>Group Auditor</td> <td>2</td> <td>1.60</td> </tr> <tr> <td>Principal Auditor</td> <td>1</td> <td>0.50</td> </tr> <tr> <td>Senior Auditor</td> <td>2 *</td> <td>2.00</td> </tr> <tr> <td>Auditor</td> <td>1</td> <td>1.00</td> </tr> </tbody> </table>		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
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4.1.2	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.																		
4.2	APPROACH																		
4.2.1	Consultation and research are currently underway to determine 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.																		
4.2.2	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>The assessment tool is designed to ensure that our work is aligned to organisational objectives and priorities.</p>																		
4.2.3	<p>The Annual Internal Audit Plan will be compiled using our knowledge of:</p> <ul style="list-style-type: none"> • 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 our 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 18 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 Manager 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	<p>There is an enormous amount of change occurring within the organisation: de-coupling from Cambridgeshire County Council and bringing contracts back in-house; changes to key IT systems; a major improvement programme to transform our services including a People and Culture programme to overhaul how we manage the workforce, all within a continuing challenging financial environment.</p> <p>Our initial stages of planning have included these broad themes, as well as some specific areas of risk. These, and others identified as the planning process continues, will be subject to our planning assessment tool for prioritisation.</p>
4.3.2	<p><u>Financial Governance</u></p> <ul style="list-style-type: none"> • Arrangements for ensuring that savings proposals are robust and monitored. • Review of Financial Regulations and Contract Standing orders as part of the revised Financial Operating Framework • Income generating activities – charging policy, accurate billing and debt recovery. • Purchase to Pay • VAT
4.3.3	<p><u>Information Governance</u></p> <ul style="list-style-type: none"> • Cyber Security – technical controls and disaster recovery • Information Governance – data management and security • IT governance – strategy, policy, procedure • Major changes in IT systems (developments in Payroll/HR and Procurement, use of Artificial Intelligence, changes following decoupling from CCC) • Attendance at Strategic Information Board
4.3.4	<p><u>Corporate Governance</u></p> <ul style="list-style-type: none"> • Risk Management – review of new policy/processes • Compliance with our Code of Corporate Governance • Annual Governance Statement • Health and Safety - following an external review • Emergency Resilience • Performance Management • HR Policies review • Attendance at the Risk Management Board
4.3.5	<p><u>External Organisations</u></p> <ul style="list-style-type: none"> • Arrangements for governance of external companies and partnerships • Shared Service agreements
4.3.6	<p><u>Contracts and Procurement</u></p> <ul style="list-style-type: none"> • Contract Management standard – development and compliance • Specific contract reviews • Procurement governance – policies, procedures, monitoring compliance and exemptions
4.3.7	<p><u>Project and Programme Management</u></p> <ul style="list-style-type: none"> • Project management and benefits realisation on specific projects • Programme management and transformation
4.3.8	<p><u>Environment</u></p> <ul style="list-style-type: none"> • Leased estate management (residential and commercial) • Building Control processes

	<ul style="list-style-type: none"> Climate Change/Net Zero (eg Energy plan and PIRI project)
4.3.9	<p><u>Service Delivery</u></p> <ul style="list-style-type: none"> Changes to service delivery following decisions to in-source/outsource or otherwise change the activities of major contracts or companies. Safeguarding – quality assurance arrangements
5.	CONSULTATION
5.1	<p>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.</p> <p>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).</p>
6.	ANTICIPATED OUTCOMES OR IMPACT
6.1	Audit Committee note and comment on the contents of this report.
7.	REASON FOR THE RECOMMENDATION
7.1	To provide members with an insight into the development of the audit plan to provide assurance to the Council on its governance and operations.
8.	ALTERNATIVE OPTIONS CONSIDERED
8.1	None
9.	IMPLICATIONS
	Financial Implications
9.1	<p>The Audit Plan needs to be deliverable within available resources and the achievement of the audit plan will require that the current structure remains intact throughout the year and that vacancies are filled. Resource requirements are reviewed each year during the planning process.</p> <p>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.</p>
	Legal Implications
9.2	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
9.3	<p>The identification of risks and the proper management of those risks will ensure that:</p> <ul style="list-style-type: none"> 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.
10.	BACKGROUND DOCUMENTS
	Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
10.1	None.

11.	APPENDICES
11.1	Appendix A

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 individuals 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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