

PERTH AND KINROSS COUNCIL

Audit Committee

26 June 2019

INTERNAL AUDIT STRATEGY & PLAN 2019/20

Report by the Chief Internal Auditor (Report No. 19/195)

PURPOSE OF REPORT

This report presents the strategy for the delivery of Internal Audit and the proposed approach for the direction of planned Internal Audit work for 2019/20.

1. BACKGROUND

- 1.1 Internal Audit, as defined in the Public Sector Internal Audit Standards (PSIAS), is an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of the Council's operations. It helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes.
- 1.2 The PSIAS require the Chief Internal Auditor to prepare a risk based Internal Audit Plan (the Plan) setting out the team's annual work programme. The Plan should take account of the Council's objectives, risk and performance management arrangements.

2. APPROACH

- 2.1 The strategy for Internal Audit is to deliver a risk based Internal Audit service by designing planned activity around the key risks to the Council achieving its objectives. Internal Audit also aims to add value to the organisation by ensuring that there is appropriate and enabling risk management, governance and controls in place.
- 2.2 In order to ensure compliance with the PSIAS requirement of undertaking an annual risk assessment, a review of the arrangements which have been put in place for the identification and assessment of risks has been undertaken. A separate report by the Head of Legal and Governance is on the agenda for consideration at today's meeting of the Audit Committee detailing the approach taken in this regard and the corporate risks identified as part of this approach.
- 2.3 In addition, evidence provided to support the Annual Governance Statement has been examined. Information in relation to external inspections by regulators and other bodies has also been taken into account, where available.

- 2.4 The Council is awaiting the outcome of the Best Value review and the Health & Social Care Partnership has also recently been subject to external inspection. The outcomes from these reviews will influence the direction of some elements of Internal Audit activity within the year.
- 2.5 This Internal Audit Plan is presented partly as Internal Audit themes for which detailed discussion will take place with management to ensure that Internal Audit resources are targeted in a manner which ensures that up to date risks and challenges are being addressed and adds most value to the areas being reviewed. Many themes are cross-cutting and will involve all Services during the reviews.
- 2.6 Cumulative audit knowledge and experience has been drawn upon, from our knowledge of the organisation, awareness of significant changes in systems processes and personnel, previous Internal Audit involvement in areas of activity and from our analysis of the risks faced by individual functions in delivering their objectives. This has resulted in the identification of some specific areas for Internal Audit activity in 2019/20.
- 2.7 Reports arising from Internal Audit activity will be presented to Audit Committee except where the assignments are consultative in nature. A summary of the work undertaken will be provided as part of the routine Update reports, as agreed in June 2016 ([Report 16/306](#) refers). The outcomes from these assignments will be taken into consideration in arriving at future Internal Audit Plans.

3. INTERNAL AUDIT RESOURCES

- 3.1 Internal Audit has 4.8 FTE posts to undertake the Internal Audit Plan, provide advice and consultancy, grant certification work as required, investigations relating to fraud and corruption, facilitate the National Fraud Initiative and oversee the whistleblowing arrangements.
- 3.2 An allocation of resources is made annually for tasks relating to counter-fraud and corruption activity, including the oversight and facilitation of the National Fraud Initiative.
- 3.3 There is an ongoing requirement for grant claims relating to the Bus Service Operators Grant to be completed by Internal Audit. Resources are allocated to this to ensure that the grant claim can be verified for submission to the Scottish Government.
- 3.4 An important part of the Internal Audit process is the verifying of the implementation of agreed actions arising from Internal Audit reports. An allocation of resources is made to support this process and to ensure that Elected Members are informed of the status of actions arising from previous audit reports.

- 3.5 The Internal Audit service for the Integration Joint Board is undertaken jointly by officers from Perth & Kinross Council and NHS. Following a review of the provision of this service, it is proposed that Perth & Kinross Council's Internal Audit Service will take on the role of the Chief Internal Auditor for the next three years, with this role having previously been undertaken by the Chief Internal Auditor for NHS Fife, Tayside & Forth Valley. The outgoing Chief Internal Auditor and his team will continue to provide support during the transition and resource to undertake identified audits for future plans.
- 3.6 Resources are released to ensure that appropriate professional development is undertaken within the team. In addition, a member of the team is undertaking professional Institute of Internal Auditor qualifications and has received the Management of Risk training, thus contributing to the development and embedding of risk management within the Council.
- 3.7 The leaves approximately 67% of audit time to be dedicated to planned audit activity.

4. PLANNED INTERNAL AUDIT ACTIVITY

- 4.1 Internal Audit has identified key themes arising from its review of the corporate and Service risk registers, performance and activities. Within each theme, there may be a number of strands of work undertaken within the year, or the overall piece of work may stretch across the whole Council. The themes identified for 2019/20 are as follows:

Theme	Corporate (C) / Service (S) Risks	Corporate Objectives	Anticipated Service(s)	Brief Description
Digital	C10	All	Corporate & Democratic Services	Controls are in place for the delivery of the digital strategy
Transformation	C6, C10	All	All Services	Transformation projects are managed appropriately, are subject to accurate and timely reporting and are delivering expected outcomes

Theme	Corporate (C) / Service (S) Risks	Corporate Objectives	Anticipated Service(s)	Brief Description
ALEOs	C11	All	Corporate & Democratic Services And Education & Children's Services	Contribute to the Advisory Board to support Horsecross Arts delivery its recovery plan
Tay Cities Deal	S8	Promoting a Prosperous, Inclusive and Sustainable Economy	Housing & Environment	Collaborate with Internal Auditors for participating members to provide relevant assurances.
Contracting	C11	All	All Services	Review contracting activity within Services, including awarding and management of contracts.
Inclusion	S4, S6	Developing Educated, Responsible and Informed Citizens	Education & Children's Services	Continue to provide a resource to support the implementation of the Inclusion Review
Workforce Planning	C5, 79	All	Corporate & Democratic Services	Review the effectiveness of workforce planning measures.
Withdrawal from the European Union	C5, C14, C15	All	All Services	Review the management of the risks relating to the withdrawal from the European Union.

- 4.2 Of the 17 identified Corporate Risks, 8 are included within the above themes, with an additional 6 having been subject to Internal Audit review in 2018/19. This equates to 82% coverage of key risks within two years. Those risks not covered in either 2018/19 or 2019/20 will be considered for future Internal Audit plans, subject to in-year review.
- 4.3 In addition to the above themes, specific pieces of work have been highlighted from consultation with Services and from previous years' audit work which are worthy of additional assurance work. These include the following.

Assignment	Service	Description
Cash	All Services	Reviewing the adequacy of arrangements for the collection of cash throughout the Council.
ALEOs – Community Campus Income	Corporate & Democratic Services & Education & Children's Services	Reviewing arrangements for the collection of cash and management of bookings in community campuses
Early Years Ordering & Stock Control	Education & Children's Services	Reviewing arrangements in place within the Early Years Teams
Recycling Centres	Housing & Environment	Review of arrangements for recycling centres management of re-saleable goods.
LEADER	Housing & Environment	Reviewing regulatory compliance for the LEADER projects.
Bus Service Operators Grant Certification	Housing & Environment	Certification of Grant required by the Scottish Government

- 4.4 Once the outcomes of the Council's Best Value and Assurance Report are published, Internal Audit will consider ways in which it can add value in ensuring that its findings are taken forward. Similarly, once Perth & Kinross Health & Social Care Partnership has received the outcomes from its inspection, Internal Audit will consider this in relation to any targeted work from Internal Audit.

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 This report presents the strategy for the delivery of Internal Audit services in Perth & Kinross Council and outlines the planned themes for Internal Audit work for 2019/20.
- 3.2 It is recommended that the Committee approves the strategy and plan for 2019/20.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Community Plan/Single Outcome Agreement

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2022 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all of these objectives.

2. Assessments

Equality Impact Assessment

- 2.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

- 2.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

Risk

- 2.3 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's work is not appropriately planned and completed on a timely basis.

3. Consultation

Internal

- 3.1 The Chief Executive and Head of Legal and Governance have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

None.