

Audit & Risk Committee

28 June 2022

INTERNAL AUDIT PLAN 2022/23

Report by Chief Internal Auditor
(Report No 22/245)

1. PURPOSE

- 1.1 This report presents the strategy for the delivery of Internal Audit and the proposed approach for the direction of planned Internal Audit work for 2022/23.

2. RECOMMENDATION	
2.1	It is recommended that the Committee approves the strategy and plan for 2022/23.

3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:

- Section 4: Background & Approach
- Section 5: Internal Audit Resources
- Section 6: Planned Internal Audit Activity

4. BACKGROUND & APPROACH

- 4.1 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.
- 4.2 The PSIAS require the Chief Internal Auditor to prepare a risk based Internal Audit Plan (the Plan) setting out the team's work programme for up to 12 months. The Plan should take account of the Council's objectives, risk and performance management arrangements. This Plan covers the remainder of the financial year 2022/23.
- 4.3 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.

- 4.4 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 report by the Head of Legal and Governance was considered by the Audit & Risk Committee in June ([Report 22/158](#) and [Appendix](#) refer) detailing the approach taken in this regard and the corporate risks identified.
- 4.5 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.
- 4.6 The Council continues to manage and mitigate the risks arising from the impacts of the COVID-19 pandemic. Some assignments included within the 2021/22 Internal Audit plan were delayed due to a mix of Internal Audit resourcing, and on Service's ability to accommodate Internal Audit activity whilst under additional pressure to deliver services. As a result, those assignments have been re-considered as part of the review of priorities for Internal Audit activity for 2022/23.
- 4.7 As in previous years, the Internal Audit Plan proposes a thematic approach to elements of Council activity and risks assessed. The detailed scope of each assignment will be agreed prior to the commencement of each thematic review.
- 4.8 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 2022/23.
- 4.9 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.

5. INTERNAL AUDIT RESOURCES

- 5.1 Resources available for Internal Audit activity is subject to recruitment activity. It is anticipated that this will result in 4 full time equivalent posts available within the year. These resources will be available to undertake the Perth & Kinross Council and Integration Joint Board Internal Audit Plans; ad-hoc advice and consultancy; investigations into fraud and corruption; facilitate the National Fraud Initiative and oversee the whistleblowing arrangements.

- 5.2 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.
- 5.3 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. There has also been a requirement for Internal Audit to undertake work in connection with the Service Level Agreement in place for LEADER.
- 5.4 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.
- 5.5 The Internal Audit service for the Integration Joint Board is provided jointly by officers from Perth & Kinross Council and NHS, with the role of Chief Internal Auditor being held by Perth & Kinross Council. Resources are set aside for the provision of this Service.
- 5.6 Furthermore, resources are released to ensure that appropriate professional development is undertaken within the team, which includes a professional Internal Audit trainee.
- 5.7 The leaves approximately 60% of audit time to be dedicated to planned audit activity.

6. PLANNED INTERNAL AUDIT ACTIVITY

- 6.1 The Strategic Risk Register was presented for consideration at the last meeting of the Audit & Risk Committee. Internal Audit has had a close overview of the arrangements for its development and are therefore able to place reliance on its content. The key themes identified for inclusion within the Internal Audit Plan for 2022/23 are taken from the Strategic Risk Register, in consultation with the Chief Executive.

Theme	Strategic Risk	Anticipated / Lead Service(s)	Brief Description
Mosaic	01	Corporate	To provide assurance over arrangements in place for the implementation of the Mosaic system
Climate Change	02	All	To provide support, advice and challenge to the strategic arrangements in place to fulfil the Council's climate change duties.
Partnership Working (From 2021/22)	04	All	To review how the Council's relationship with significant partners

Theme	Strategic Risk	Anticipated / Lead Service(s)	Brief Description
			contributes to the delivery of outcomes
Community Engagement	05	Communities	To review the effectiveness of arrangements in place for engaging with communities
IT Assets	06	Corporate & Democratic Services	To provide assurance over the management of IT assets
Transformation and Change Reviews	08 & 10	All	To ensure that appropriate governance exists to facilitate the delivery of the Transformation Strategy.
Payroll (From 2021/22)	09	Corporate & Democratic Services	To provide assurance over the arrangements for starters, leavers and changes within the payroll system.

- 6.2 There will be an ongoing review of the emerging risks faced by the Council to ensure that these themes cover the areas of highest risk in achieving the Council's objectives.
- 6.3 In addition to the above themes, specific assignments are required to be undertaken as follows:

Assignment	Service	Description
LEADER	Communities	Reviewing regulatory compliance for the LEADER projects.
Bus Service Operators Grant Certification	Communities	Certification of Grant required by the Scottish Government
National Fraud Initiative	All	Facilitation of the 2022/23 National Fraud Initiative exercise

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