

# PERTH AND KINROSS COUNCIL

## Audit Committee

16 September 2020

### INTERNAL AUDIT STRATEGY & PLAN 2020/21

Report by the Chief Internal Auditor (Report No. 20/166)

#### **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 2020/21.

#### **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 work programme for up to 12 months. 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 Following the onset of the COVID-19 pandemic, Internal Audit activity was paused to enable the Council to focus its attention on delivering the 18 critical services identified. Internal Audit resources were therefore reallocated as part of the re-tasking process to support other areas of activity in connection with the delivery of the critical services. As such, there will be a shortened Audit Plan in order to take account of the limitation in resources.
- 2.3 Internal Audit has partly recommenced its work and has focussed on finalising areas of planned work from the 2019/20 Internal Audit Plan for both the Council and for the Integration Joint Board. It is anticipated that the team will be functioning with a full complement of staff from September 2020.
- 2.4 The plan proposes a greater degree of flexibility for the remainder of 2020/21 to take account of the potential changes in the risk environment arising from

the implications of COVID-19. It is therefore requested that the Chief Internal Auditor has greater ability to propose changes to planned activity on an ongoing basis in order to be more responsive.

- 2.5 As in 2019/20, the Internal Audit Plan proposes a thematic approach to elements of Council activity and the detailed scope will be agreed prior to the commencement of each thematic review. Some assignments within the Plan may extend beyond March 2021, however work undertaken in these areas will be taken into consideration as part of the Chief Internal Auditors Annual Opinion, which contributes towards the evidence required for the Council's Annual Governance Statement.
- 2.6 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 ongoing during the year. 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.
- 2.5 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 2020/21.
- 2.6 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 4.0 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. During this year, there will be a complete review of all agreed actions to ensure that they remain current as a result of the Council's response to the COVID-19 pandemic.
- 3.5 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.
- 3.5 Furthermore, resources are released to ensure that appropriate professional development is undertaken within the team. 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.
- 3.6 The leaves approximately 67% of audit time to be dedicated to planned audit activity.

#### 4. PLANNED INTERNAL AUDIT ACTIVITY

- 4.1 It is noted that the Corporate and Service risk registers are under review in order to ensure that they fully reflect the changing climate as a result of the COVID-19 pandemic. However, Internal Audit has identified key themes arising from its review of the current 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 2020/21 are as follows:

| Theme                    | Corporate (C) / Service (S) Risks | Corporate Objectives | Anticipated Service(s)          | Brief Description   |
|--------------------------|-----------------------------------|----------------------|---------------------------------|---|
| Recovery & Renewal       | All                               | All                  | All                             | Provide advice and assurance with regard to recovery and renewal activity |
| Financial Sustainability | C1, C4                            | All                  | Corporate & Democratic Services | To provide assurance over financial management                            |
| Digital                  | C8                                | All                  | Corporate & Democratic Services | Provide assurance over the management of IT assets                        |

|                                    |              |   |   |   |
|------------------------------------|--------------|---|---|---|
| ALEOs                              | C11          | All   | Corporate & Democratic Services And Education & Children's Services | Following up on Audit Glasgow's Audit Report  |
| Tay Cities Deal                    | S8           | Promoting a Prosperous, Inclusive and Sustainable Economy | Corporate & Democratic Services                                     | Collaborate with Internal Auditors for participating members to provide relevant assurances.          |
| Contracting                        | C11          | All   | All Services  | Review contracting activity within Services, including activity in response to the COVID-19 pandemic. |
| 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 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.

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   |
|--------------------------------|---------------------------------|---|
| COVID-19 Grants                | Corporate & Democratic Services | To provide assurance over the arrangements in place for appropriate payment of grants.  |
| Managing Challenging Behaviour | Education & Children's Services | Review arrangements for the management of challenging behaviour.  |
| Scottish Welfare Fund          | Corporate & Democratic Services | To ensure the adequacy and effectiveness of the arrangements in place for the management of payments from the Scottish Welfare Fund |

|   |                                 |   |
|---|---------------------------------|---|
| Education & Children's Services Payments  | Education & Children's Services | To provide advice and support on changes to the control environment as a result of COVID-19 |
| LEADER                                    | Corporate & Democratic Services | Reviewing regulatory compliance for the LEADER projects.                                    |
| Bus Service Operators Grant Certification | Housing & Environment           | Certification of Grant required by the Scottish Government                                  |

### 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 2020/21.
- 3.2 It is recommended that the Committee approves the strategy and plan for 2020/21.

#### Author(s)

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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