

PERTH AND KINROSS COUNCIL

Audit Committee

30 June 2021

INTERNAL AUDIT STRATEGY & PLAN 2021/22

Report by the Chief Internal Auditor

(Report No. 21/111)

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 2021/22.

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 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 strategic risks identified.
- 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 continues to manage and mitigate the risks arising from the COVID-19 pandemic. Some assignments included within the 2020/21 Internal Audit plan were delayed due to a mix of Internal Audit resourcing, where Internal Audit resources were re-tasked during the year, 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 2021/22.
- 2.5 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.
- 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.
- 2.7 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 2021/22.
- 2.8 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 Resources available for Internal Audit activity is subject to review and recruitment activity as a result of changes within the team. It is anticipated that this will result in 4.2 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.
- 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 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 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.
- 3.6 Furthermore, resources are released to ensure that appropriate professional development is undertaken within the team, which will include a professional trainee.
- 3.7 The leaves approximately 60% of audit time to be dedicated to planned audit activity.

4. PLANNED INTERNAL AUDIT ACTIVITY

- 4.1 The Strategic Risk Register is presented for consideration at this meeting of Audit 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 2021/22 are taken from the Strategic Risk Register.

Theme	Strategic Risk	Anticipated / Lead Service(s)	Brief Description
Child Protection	01	All	To map assurances from internal and partner agencies for the protection of children.
Climate Change	02	All	To provide support, advice and challenge to the strategic arrangements in place to fulfil the Council's climate change duties.
Welfare Rights	03	Corporate & Democratic Services	To ensure that arrangements are in place to appropriately support communities.
Partnership Working	04	All	To review how the Council's relationship with significant partners contributes to the delivery of outcomes.

Theme	Strategic Risk	Anticipated / Lead Service(s)	Brief Description
Tay Cities Deal	05	Communities	Collaborate with Internal Auditors for participating members to provide relevant assurances.
IT Assets	06	Corporate & Democratic Services	To provide assurance over the management of IT and information assets
Agency Workers	09	Communities	To review contractual arrangements for the management of agency workers
Payroll	09	Corporate & Democratic Services	To provide assurance over the arrangements for starters and leavers within the payroll system.

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 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 2020/21 National Fraud Initiative exercise.

5. CONCLUSION AND RECOMMENDATIONS

5.1 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 2021/22.

5.2 It is recommended that the Committee approves the strategy and plan for 2021/22.

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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.