

DOVER DISTRICT COUNCIL

REPORT OF THE HEAD OF AUDIT PARTNERSHIP

GOVERNANCE COMMITTEE – 14 MARCH 2013

INTERNAL AUDIT CHARTER, STRATEGY AND 2013-14 PLAN

Recommendations

<p><i>Members are asked to consider and adopt the Internal Audit Charter, the Internal Audit Strategy and consider and approve the Internal Audit 2013-14 plan of work</i></p>
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Contact Officer: Mrs C Parker, extension 2160

1.0 Introduction and Background

- 1.1 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 To assist the Committee meet its terms of reference with regard to the internal control environment reports are regularly produced on the work and remit of Internal Audit. The purpose of this report is to consider for adoption the East Kent Audit Partnership Audit Charter, Strategy and Internal Audit Plan of work for the forthcoming year.

2.0 Audit Charter

- 2.1 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, in providing an Internal Audit function to the partner councils. The Audit Charter is attached as Annex A to this report.
- 2.2 The Audit Charter sets out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process and details the process for making amendments in the future.
- 2.3 The Audit Charter is an important document setting out the expectations of how the Internal Audit function will be delivered. Not only does having a charter and keeping it up to date assist the Council in complying with best practice, but by considering the Audit Charter, the Governance and Audit Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively

3.0 Audit Strategy

- 3.1 The Internal Audit Strategy, attached as Annex B, details how the East Kent Audit Partnership will provide the Internal Audit function for the year to 31st March 2014. The strategy sets out the resources required across the four partnership sites and details how the resource requirements will be met.
- 3.2 The Audit Plan for the year 2013 to 2014 is attached as Annex C and has been produced from an audit software database (APACE) maintained by the EKAP which

records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc.

- 3.3 The plan has then been modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the Council's corporate plans.
- 3.4 Additionally, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a three-year cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a three-year strategic plan has been included.
- 3.5 To comply with the CiPFA Code of Practice for Internal Audit 2006, the agreed audit plan should cover a fixed period of no more than 1 year. Members are being asked to approve the 2013-14 plan at the present time and the 2014-15 plan (modified as necessary) will be presented for consideration in March 2014 and similarly the 2015-16 plan will be presented for consideration in March 2015. The purpose of showing an indicative 2014-15 and 2015-16 plan at this time is to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.
- 3.6 The plan has been prepared in consultation with the Directors and the Council's Statutory S151 Officer. The plan is also designed to meet the requirements expected by the Audit Commission for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2013-14 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require.

4.0 **Head of Internal Audit's Opinion of the 2013-14 Internal Audit Plan.**

- 4.1 This report is presented to Members by the Council's Director of Finance whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.
- 4.2 In the professional opinion of the Head of the East Kent Audit Partnership the draft 2013-14 internal plan presented for Members consideration represents an effective internal audit plan which ensures reasonable coverage of the vast majority of the Council's operations within a three year period. The Head of the East Kent Audit Partnership recommends to Members the approval of the 2013-14 internal audit plan.
- 4.3 Due to budget restrictions, the size of the Council's internal audit plan has been reduced again this year. In 2013-14 it is proposed to reduce the plan from 380 to 350 days. Together with the cuts in the size of the plan last year and in previous years, this will continue to have an impact upon the Council's ability to cover all areas of its operations within a three-year cycle. This risk can to some extent be mitigated by ensuring that it is the low risk areas that fall outside of the three-year plan; however it should be noted that the cost of the Council's audit service has reduced by 30% in the last five years from £133,082 to £93,300.

6.0 Recommendations

- 6.1 That Members approve to adopt the Internal Audit Charter.
- 6.2 That Members approve to adopt the Internal Audit Strategy for delivery of the internal audit service.
- 6.3 That Members approve the Council's Internal Audit Plan for 2013/14

7.0 Background Papers

- Internal Audit Annual Plan 2012/13 - Previously presented to and approved at the March 2011 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.
- Previous Audit Strategies - Previously presented to and approved at Governance and Audit Committee meetings.

8.0 Resource Implications

There are no additional financial implications arising directly from this report. The costs of the audit work have been met from the Financial Services 2013/14 budget.

9.0 Consultation Statement

Not Applicable.

10.0 Impact on Corporate Objectives and Corporate Risks

The recommendations arising from each individual internal audit review are designed to strengthen the Council's corporate governance arrangements, controls framework and risk management arrangements, as well as contributing to the provision of economic, efficient and effective services to the resident of the District.

Attachments

Annex A	East Kent Audit Partnership Charter
Annex B	East Kent Audit Partnership Strategy
Annex C	Dover District Council draft 2013-14 Internal Audit Plan & draft 3 year strategic Internal Audit Plan 2013-16

CHRISTINE PARKER
Head of Audit Partnership

The officer to whom reference should be made concerning inspection of the background papers is the Head of Audit Partnership, White Cliffs Business Park, Dover, Kent CT16 3PJ. Telephone: (01304) 821199, Extension 2160.



EAST KENT AUDIT PARTNERSHIP AUDIT CHARTER

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1 Introduction

- 1.1 This Charter establishes the purpose, authority, objectives and responsibility of the Audit Partnership, in providing an Internal Audit function within the Partner Councils.
- 1.2 The Audit Partnership is hosted by Dover District Council.
- 1.3 The Audit Partnership is sufficiently independent of the activities that it audits, and this enables the auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations.
- 1.4 The organisational status of the Audit Partnership is such that it is able to function effectively. The Head of Audit Partnership must be able to maintain their independence and report to members. The Head of Audit Partnership has sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with the senior management of the individual partners.
- 1.5 Accountability for the response to the advice and recommendations of the Audit Partnership lies with partner's own management.
- 1.6 The Audit Partnership reports to those committees charged with governance. The main objective is to independently contribute to the councils' overall process for ensuring that an effective internal control environment is maintained. The work of the Audit Partnership for each of the partner authorities is summarised into an individual annual report, which assists in meeting the requirements to make annual published statements on the internal control systems in operation.

2 Terms of Reference

2.1 Strategy & Purpose

Internal Audit is a statutory requirement under the Local Government Act 1972 (Section 151). It is the strategy of the Audit Partnership to comply with best practice as far as possible. The Audit Partnership has therefore adopted the best practice principles promoted by CiPFA. The definition of Internal Audit taken from their guidance is as follows:

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

This definition sets out the primary purpose of the Audit Partnership, but the guidance also recognises that other work may be undertaken which may include consultancy services and fraud-related work. Where relevant and applicable the Audit Partnership also follows the professional and ethical

standards of the Institute of Internal Auditors, being that many of the staff are members of this Institute.

2.2 Scope

2.2.1 Audit shall appraise and review:

- a) the completeness, reliability and integrity of information, both financial and operational,
- b) the systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation, or externally,
- c) the means of safeguarding assets,
- d) the economy, efficiency and effectiveness with which resources are employed, and
- e) whether operations are being carried out as planned and objectives and goals are being met.

2.2.2 The scope of the Audit Partnership includes the review of all activities of the Partner Councils, without restriction. In doing this, the purpose of Audit is to:

- a) Advise the Chief Executive, Directors, Senior Managers and Audit Committee on appropriate internal controls and the management of risk,
- b) Assist the Chief Executive, Directors, Senior Manager and Audit Committee with the way that organisational objectives are achieved at operational levels,
- c) Assure the Chief Executive, Directors, Senior Managers and Audit Committee of the reliability and integrity of systems, and that they are adequately and effectively controlled,
- d) Alert the Chief Executive, Directors, Senior Managers and Audit Committee to any system weaknesses or irregularities.

2.2.3 In addition, the Audit Partnership may carry out special investigations as necessary, and agreed with the S151 Officer or Monitoring Officer as appropriate, in respect of cases of fraud, malpractice or other irregularity, or carry out individual ad hoc projects as requested by management and agreed by the Head of Audit Partnership and the partners' client officer.

2.3 Authority

2.3.1 The procedures for auditing the Council are included within each of the councils' Constitutions. This typically includes words to the effect that the Authority shall:

- a) Make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs, and
- b) Shall maintain an adequate and effective system of Internal Audit of their accounting records and control systems.

Additionally, there may be delegated authority to the Chief Executive and Directors to establish sound arrangements for the planning, appraisal, authorisation and control of the use of resources, and to ensure that they are working properly. Maintaining adequate and effective controls is necessary to:

- a) carry out activities in an orderly, efficient and effective manner,
 - b) ensure that policies and directives are adhered to,
 - c) ensure compliance with statutory requirements,
 - d) safeguard assets & to prevent fraud,
 - e) maintain complete and reliable records and information, and
 - f) prevent waste & promote best value for money.
- 2.3.2 The Audit Partnership is authorised to complete a programme of audit reviews within the Partner Councils through the delegation of powers to Dover District Council, as the host body for the Audit Partnership.
- 2.3.3 The Head of Audit Partnership works principally with a nominated officer, the Section 151 Officer, for each of the Partner councils, to ensure that a continuous internal audit review of the accounting, financial and other operations of the Council is performed. Progress on the work undertaken shall be submitted regularly to the appropriate committee with responsibility for Internal Audit.
- 2.3.4 All employees and Councillors shall comply with the requirements of the Council's internal and external auditors who have authority to:-
- a) enter at all reasonable times on any Council premises or land,
 - b) have access to all Council assets such as records, documents, contracts and correspondence, including computer hardware, software and data,
 - c) require and receive such explanations as are necessary concerning any matters under examination, and
 - d) require any employee of the Council to produce cash, stores or any other Council property under his/her control.
- 2.3.5 Employees and Councillors of any of the Partners may report any financial irregularity or suspected irregularities to the Head of Audit Partnership, who shall then ensure that the matter is dealt with in accordance with the individual Council's Anti Fraud and Corruption Strategy.

3 Organisational Relationships and Independence

3.1 Audit Partnership Management and Staffing

The audit service is managed by the Head of Audit Partnership, who is responsible for providing a continuous internal audit service under the direction of the Section 151 Officers. The auditor assigned to each individual review is selected by the Head of Audit Partnership, based on their knowledge, skills, experience and discipline to ensure that the audit is conducted properly and in accordance with professional standards.

3.2 Relationship with Service Managers

- 3.2.1 It is the responsibility of management, not auditors, to maintain systems of internal control.
- 3.2.2 To preserve its independence and objectivity, staff involved in the Audit Partnership shall not have direct responsibility for, or authority over, any of the activities subject to audit review. Staff transferring to EKAP may not

review an area they were previously operationally responsible for, for a period of two years (current year plus one).

- 3.2.3 The involvement of an auditor through conducting an audit review, or providing advice, does not in any way diminish the responsibility of line management for the proper execution and control of their activities.
- 3.2.4 Co-operative relationships will be fostered with management to enhance the ability of the Audit Partnership to achieve its objectives effectively.
- 3.2.5 All employees should have complete confidence in the integrity, independence and capability of the Audit Partnership. We recognise that the relationship between auditors and service managers is a privileged one, and information gained in the course of audit work will be treated confidentially, and only reported appropriately.

3.3 Reporting Relationship with Line Management

- 3.3.1 The Head of Audit Partnership will have regular monthly meetings with each of the Partner's Section 151 Officer / nominated client officer. Any events that may have an adverse affect on the audit plan, or a significant impact on the Council will be reported immediately.
- 3.3.2 Any high risk matters of concern, which have not been adequately dealt with after an appropriate period of time and after follow up, will be escalated to the Section 151 Officer / nominated client officer, who will be asked to decide for each high risk matter whether:
 - Resources should be allocated to enable the risk to be reduced in the agreed way, or
 - To approve that the risk will be accepted and tolerated, or
 - To determine some other action to treat the risk.

3.4 Reporting Relationship with the Partners

- 3.4.1 The East Kent Audit Partnership overall performance is reported to all the partner authorities annually. Key performance measures and indicators have been agreed and these are also reported quarterly. As well as individual assurance reports, and the quarterly Audit Committee reports, an Annual Audit Report will:
 - Provide an individual summary of the work completed for each Partner,
 - Compare actual audit activity with that planned, and summarise the performance of the East Kent Audit Partnership against its performance criteria, and
 - Include the cost of the service for the partner.

3.5 Relationship with Audit Committees

- 3.5.1 The East Kent Audit Partnership has a direct relationship with those charged with the responsibility for governance. Consequently, the Head of Audit Partnership issues a report summarising the results of its reviews to each meeting. The Annual Report is the foundation for both the opinions given through the Annual Governance Statement, which is published annually. The

Committee will also approve the Audit Partnership annual work plan for their Council.

- 3.5.2 The Head of Audit Partnership may escalate any high-risk matters of concern (that in his opinion have not been adequately actioned by management) directly to committee, should this ever become necessary.

3.6 Relationship with External Audit

- 3.6.1 The Head of Audit Partnership will liaise with the external auditors to:

- Foster a co-operative and professional working relationship,
- Reduce the incidence of duplication of effort,
- Ensure appropriate sharing of information, and
- Co-ordinate the overall audit effort.

- 3.6.2 In particular the Head of Audit Partnership will:

- Discuss the annual Audit Plan with the external auditors to facilitate External Audit planning,
- Hold regular meetings to discuss performance and exchange thoughts and ideas,
- Make all Audit working papers and reports available to the external auditors,
- Receive copies of all relevant external audit reports to Management, and
- Gain knowledge of the external auditor's programme and methodology.

3.7 Other Regulators, Inspectors and Audit Bodies

The Head of Audit Partnership will foster good relations with all other audit bodies, regulators and inspectors. In particular protocols regarding joint working, access to working papers, confidentiality and setting out the respective roles will be agreed where applicable. The EKAP will only become involved with external regulators and inspectors if expressly required by the partner authority as part of the agreed audit plan.

4 Competence and Standards of Auditors

4.1 Competence

The Head of Audit Partnership will ensure that those engaged in conducting audit reviews, possess the appropriate knowledge, qualifications, experience and discipline to carry them out with due professional care and skill.

4.2 Standards

Regardless of membership, all auditors will be expected to work in accordance with the standards and practice statements issued by the Institute of Internal Auditors and CiPFA. The East Kent Audit Partnership strives to meet best practice as highlighted in paragraph 2.1. The auditors must also observe the Codes of Ethics of the Institute of Internal Auditors and CiPFA, which call for high standards of honesty, objectivity, diligence and loyalty in the performance of their duties and responsibilities.

4.3 **Quality Assurance**

The Head of Audit Partnership will maintain a process of review of the Internal Audit function to provide reasonable assurance that its work conforms to the relevant standards, and with the requirements of this Charter. The review process is to be ongoing and will include adequate supervision of the audit staff and of the audit work performed.

The Head of Audit Partnership will provide evidence as required to assist the Partners' reviews of the Effectiveness of Internal Audit to inform the Annual Governance Statement.

5 Audit Process

5.1 **Planning**

5.1.1 The audit process is to follow a planned approach based upon risk assessments. The planning framework comprises the following:

- A Strategic Plan, which ensures that coverage of each of the partner councils as a whole, over a time frame of three to five years, is maintained and reviewed annually.
- An Annual Plan for each partner, specifying the planned audits to be performed each year and the resource requirements for each planned audit review.

5.1.2 For each audit review undertaken, the planning framework comprises the following:

- An Audit Brief, specifying the objectives, scope and resources for the audit.
- Where appropriate either a detailed Audit Programme of tests to be conducted, or a CiPFA Audit Matrix of testing to follow.

The Audit Brief is prepared by the Head of Audit Partnership or Deputy Heads of Audit and reviewed and agreed with the client manager prior to the commencement of the audit review (except where an unannounced visit is necessary).

5.2 **Documentation**

Audit working papers contain the principal evidence to support the report and they provide the basis for review of work. The Auditors employ an audit methodology that requires the production of working papers, which document the following:

- The samples of transactions collected when examining the adequacy, effectiveness and application of internal controls within the system.
- The results of the testing undertaken.
- Other information obtained from these examinations.
- Any e-mails, memos or other correspondence with the client concerning or clarifying the findings.
- A report summarising significant findings and recommendations for the reduction of risk or further control improvement.
- The Service Manager's response to the draft report and then agreed recommendations made in the final audit report.

5.3 Consultation

5.3.1 Prior to the commencement of an audit, the Head of Audit Partnership or Deputy Heads of Audit will communicate by phone, e-mail or face to face meeting with the relevant Manager to discuss the terms of reference. Having agreed the proposed brief with the Manager, the Head of Audit Partnership or Deputy Heads of Audit will:

- issue a copy of the proposed Audit Brief by e-mail, and
- where appropriate arranging a pre-audit meeting between the Service Manager and the Auditor to discuss the purpose, scope and expected timing of the work.

In the case of special investigations, such prior notification may not be given where doing so may jeopardise the success of the investigation. In such an event, the prior approval of the Chief Executive, Section 151 Officer or Monitoring Officer will be obtained.

5.3.2 During the conduct of reviews, Auditors are to consult orally and / or in writing with relevant staff to:

- ensure that information gathered is accurate and properly interpreted,
- allow Management to present adequate/reliable evidence to ensure a balanced judgment is formed,
- ensure recommendations add value, are cost effective and practicable, and
- keep Management informed of the progress of the audit.

5.4 Reporting

5.4.1 A written discussion document is prepared and issued by the responsible Auditor at the conclusion of each audit. Prior to its issue, the appropriate Audit Manager reviews the discussion document together with the supporting working papers. The purpose of this document is to allow the service manager the opportunity to challenge any of the findings of the review.

5.4.2 The draft document will contain an outline action plan listing proposed individual recommendations for internal control improvement. These recommendations are categorised to indicate whether there is a high, medium or low risk of the control objectives failing. It is at this stage that the Service Manager accepts or negotiates that the risks are in fact present, that they accept responsibility for the risks and discuss how they proposed to control them.

5.4.3 The document is then updated, and if changes are required following the discussion, is presented to the Service Manager as a Draft Report. On completion of the Action Plan, a final version of the report containing "Agreed Actions" is issued to the Service Manager with a copy to the relevant Director. Additional copies are circulated as agreed with each Partner Authority.

5.4.4 The agreed actions will be followed up, and high priority recommendations will be tested to ensure they have been effective after their due date has passed.

5.4.5 Audit reports are to be clear, objective, balanced and timely. They are to be constructed in a standardised format which will include:

- The objectives of the audit,
- The scope of the audit, and where appropriate anything omitted from the review,
- An overall conclusion and opinion on the subject area,
- Proposed actions for improvement,
- Service Manager's comments (where appropriate), and
- A table summarising all the Proposed/Agreed Actions, risk category, a due date and any management responses.

5.4.6 In addition to individual audit reports for each topic, the performance of the East Kent Audit Partnership is analysed and reviewed as described in section 3.4 of this Charter.

5.5 Follow Up

5.5.1 The Audit Partnership will follow up on management action arising from its assignments. Each individual recommendation is recorded on the specialist auditing software used. Each recommendation is classified as to whether it is high, medium or low risk. The due date for implementation and the responsible person are also recorded.

5.5.2 Following the last due date within the Action Plan, the auditors follow up whether or not action has been taken to reduce the identified risk. They ask the responsible officer for each individual recommendation whether:

- a. The control improvement has successfully been implemented
- b. Progress is being made towards implementing the control improvement
- c. No action has yet occurred due to insufficient time or resources
- d. That after agreeing the action, the risk is now being tolerated
- e. That the control improvement is no longer relevant due to a system change
- f. Other reason (please specify).

5.5.3 Further testing will be carried out where necessary to independently confirm that effective action has in fact taken place.

5.5.4 A written summary of the results of the follow up action is issued to the relevant Service Manager and Director, and where appropriate a revised assurance level is issued. The results of follow-up reviews and the revised assurance opinions issued are also reported to members.

5.5.5 Any areas of concern after follow up, where it is thought that management has not taken appropriate action, will be escalated to senior management as described in paragraph 3.3.2 of this Charter.

6 Amendment to Charter

Amendment of this Charter is subject to the approval of the Partners' Audit Committees, Chief Executives, Section 151 Officers and the Head of Audit Partnership.

February 2013



INTERNAL AUDIT STRATEGY

2013-14

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February 2013

1. Introduction

The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Shepway District Council (SDC), and Thanet District Council (TDC) formed the East Kent Audit Partnership (EKAP) in order to deliver a professional, cost effective, efficient, internal audit function. A key aim for the EKAP is to build a resilient service that provides opportunities to port best practice between the four sites, acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.

The Internal Audit Strategy is a high level statement of how the EKAP will provide the internal audit service and it is updated annually.

2. Governance Arrangements and Key Relationships

The four East Kent districts have entered into a collaboration agreement for the provision of one shared Internal Audit Service. The Statutory Officer responsible for ensuring an effective internal audit service is the s.151 Officer for each council. Together under the agreement, the four s.151 Officers form the "Client Officer Group" which is the key governance reporting line for the EKAP. The Client Officer Group meets collectively twice yearly with the Head of Audit Partnership to consider the strategic direction and development of the partnership and any performance matters.

In order to maximise resources between External Audit and Internal Audit, the Head of Audit Partnership and Audit Commission Audit Managers try to take into account where their resources can maximise coverage, avoid duplication of effort and ensure the Audit Commission can place reliance on Internal Audit work, where they can.

The Head of Audit Partnership has a line reporting relationship directly to the Director of Finance. Other key relationships for the EKAP are defined in the approved Audit Charter.

3. Internal Audit Strategy and Planning Approach 2013-14

3.1 Internal Audit Objectives

The EKAP seeks to deliver effective outcomes by;

- Understanding the four partner councils, their needs and objectives,
- Understanding its position with respect to other sources of assurance and to plan our work accordingly,
- Embracing change and working with the four councils to ensure our work supports management,
- Adding value and assisting the partners in achieving their objectives,
- Being forward looking, knowing where the partners wish to be and being aware of the local and national agenda, and their impact,
- Being innovative and challenging,
- Helping to shape the ethics and standards of the four councils, and
- Sharing best practice and assisting with the joint working agenda.

3.2 Audit Planning Methodology and Scope of Coverage

The Audit Strategy focuses internal audit effort on the risks of the four partner's objectives and priorities. It also seeks to add value to the partners by reviewing areas that most support management in meeting their objectives. The Strategic Audit Plan is designed to implement the Audit Strategy and sets out a broad rolling programme of work over a three to five year period. The strategic plan is revised in January annually, to take into account the new priorities and risks of each authority.

The Head of Audit Partnership works together with the Audit Managers to consult relevant service managers and heads of service at each site to assist in formulating the strategic audit plans. Each council's corporate aims and objectives, individual service plans, risk registers, time spent on previous audits, any problems encountered, and level and skill of service staff involved are taken into account and information is entered into the audit software. All areas as identified in the strategic plan are then subject to a risk assessment to identify their risk level and whether or not they are to be included in the proposed annual plan. The audit plans are generated from the audit software based on the risk scores of each area of activity identified through the consultation process.

The resultant initial audit plan derived from the above process is taken forward for further consultation with the individual authorities and is ultimately approved at the relevant March audit committee.

The annual audit plans for the current year, are subject to ongoing progress review with the key client officer for each authority and formal quarterly update reports to Members via the relevant audit committee. An annual report summarising performance for the authority and for the EKAP against the agreed audit plan and local performance indicators is published annually in June.

The EKAP is committed to continuous improvement and has standardised all the working practices across the partnership. The Internal Audit team has access to a common Audit Manual to ensure that the same processes are operational across all the partner sites. The Audit Manual is subject to (at least) annual review. The EKAP seeks to ensure continuous improvement by obtaining regular feedback on the service and making comparisons to best practice and the CIPFA Code, with particular emphasis on maximising performance levels.

3.3 Strategic Audit Plans

The overall coverage will need to encompass the whole range of risks which the EKAP has identified as being principal to the achievement of each partner's objectives and priorities. The Strategic Plan is therefore based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a three-year cycle of audits to provide assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations. This strategic plan also lists a small number of areas of the organisation's activities that will not be covered within the three-year cycle based upon the current level of audit resources, and for these lower risk areas of business a four or five-year rolling cycle is proposed.

Reviews will assess the risks, plans, systems, procedures and controls with a view to provide an opinion on the control environment and make recommendations to management for any improvement.

The relevant draft strategic audit plan for 2013-16 is attached as ANNEX C.

3.4 Annual Audit Plan 2013-14

To comply with the CiPFA Code of Practice for Internal Audit 2006, the agreed audit plan should cover a fixed period of no more than 1 year. The purpose of showing an indicative 2014-15 and 2015-16 plan within this strategy is to provide assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.

The proposed Annual Audit Plan for 2013-14 has been prepared in consultation with the individual Directors and the Council's Statutory S151 Officer. The plan is also designed to meet the requirements expected by the Audit Commission for ensuring key controls are in place for its fundamental systems. The relevant audit committee is also part of the consultation process, and its views on the plan of work for 2013/14 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require.

The relevant draft annual audit plan for 2013-14 is attached as ANNEX C.

3.5 Audit Plan Resource Requirements

Each authority within the partnership requires a different number of audit days to resource their agreed annual audit plan. The emphasis within each of the authority's plan is assurance related. The Internal Audit function will contribute to each of the partner's overall governance & financial assurance processes. This will be achieved through the following:

- Issuing a formal report following each review, including giving an assurance level to each review.
- Analysis of assurance levels, ensuring progress is made at the follow up stage where possible.
- Quarterly reporting to Audit Committees, including an overall annual report at the year-end.
- Liaison with the External Auditors throughout the year.
- Liaison with appropriate officers for each authority to identify specific risk to them, and focusing audit work appropriately.
- Supporting Partners' governance, performance and risk strategies by collecting evidence during reviews to show that their officers consider these aspects as an integral part of their "day job".
- Working with relevant staff to ensure that the systems documentation required to assist External Audit give assurance over the operation of key controls over the material systems, is reviewed and maintained, with tests and any changes fully documented.
- Contributing to and evidencing the Annual Governance Statement from the audit work performed throughout the year in accordance with each authority's processes.

3.6 Staff Resources

Dover District Council is the host authority for the shared internal audit service therefore it employs or contracts with all the staff engaged to deliver the service. The current team is made up of nine full or part time staff all providing a range of skills and abilities within the Internal Audit profession. Those staff accredited to a professional body are required to record their Continued Professional Development (CPD) in order to evidence that they maintain their skills and keep up to date. Additionally, the staff are bound by the professional standards and code of ethics for their professional body, either CIPFA, the ACCA or the IIA.

A mix of permanent staff and external contractors will provide the resources required to fill the required number of chargeable audit days. Internal Audit staff will be appropriately qualified and have suitable, relevant experience. Appropriate professional qualifications are ACCA, IIA or AAT. The DDC appraisal scheme including an assessment of personal development and training needs will be utilised to identify technical, professional, interpersonal and organisational competencies. Having assessed current skills a personal development plan will be agreed for all EKAP staff intended to fill any skill gaps.

The Dover District Council's Personal Performance Review process will be the key driver to identifying any skill gaps, and training, where appropriate, will be investigated at an individual level, as well as across the team, and on a Kent wide basis (through collaborative arrangements at Kent Audit Group). In the short-term, the specialised computer audit skills gap may be addressed through the engagement of contractors for specialist work, and where possible, a team member will shadow the "expert" to gain additional skills.

4. Additional Services

4.1 Special Investigations and Fraud Related Work

The EKAP is, from time to time, required to carry out special investigations, including suspected fraud and irregularity investigations and other special projects. The prevention and detection of fraud and corruption is ultimately the responsibility of management within the four partner authorities. However, EKAP is aware of its role in this area and will be alert to the risk of fraud and corruption when undertaking its work. The EKAP will immediately report to the relevant officer any detected fraud or corruption identified during the course of its work; or the discovery of any areas where such risks exist.

Consequently, a provision for any additional time in the event of fraud related work being required has not been included in any of the annual audit plans. Any special investigations which the EKAP is requested to undertake may be accommodated from re-allocating time within the relevant partner's own plan, or through buying in additional resource to either investigate the case, or to back-fill whilst partnership staff carry out the investigation. The provision of resources decision will be made on a case-by-case basis in conjunction with the relevant partner's s.151 Officer and other management as necessary.

An added advantage due to the flexibility of the arrangements within the EKAP means that we are able to use auditors who are not known at an authority to complete special investigations as this strengthens independence.

4.2 Ad Hoc / Consultancy Work

A contingency has not been included in any of the partners' plans. Therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any subsequently requested work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource, or to back-fill whilst partnership staff carry out the assignment. The decision will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary

4.3 Value for Money (VFM) Reviews

VFM relates to internal audit work that assesses the economy, efficiency and effectiveness of an activity. The work of EKAP is planned to take account of VFM generally, indeed this is supported by the objective to port best practice between sites where appropriate. Also, some agreed audit plans have a specific provision for VFM reviews (or a review of VFM arrangements). Where possible VFM reviews will be run concurrently with other sites within East Kent where this is deemed to be most beneficial to participating authorities. The EKAP staff are alert to the importance of VFM in their work, and to report to management any examples of actual or possible poor VFM that they encounter in the course of their duties.

5. Independence

The EKAP will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements. Where possible the EKAP staff will have no direct operational responsibilities. Additionally, new staff joining EKAP will not carry out an audit for at least two years on an area they previously had operational responsibility for. The EKAP staff maintain their declarations of interest using the Dover District Council corporate system.

6. Quality assurance

The quality assurance arrangements for the EKAP include all files being subject to review by either the Audit Manager for the site and/or by the Head of Audit Partnership (especially if the review has 'no' or 'limited' assurance). This review ensures that the work undertaken complies with the standards defined in the CIPFA Code of Practice. In addition to the ongoing review of the quality of individual working papers and reports and performance against the balanced scorecard of performance indicators; an annual assessment of the effectiveness of Internal Audit is undertaken separately by each of the partner authorities.

7. Review of the Internal Audit Strategy

This strategy will be reviewed annually, with the next review due in January 2014.

References:

Audit Charter

Audit Manual

CIPFA Code of Practice for Internal Audit 2006