
Subject:	DRAFT INTERNAL AUDIT PLAN 2019-20
Meeting and Date:	Governance Committee – 14th March 2019
Report of:	Christine Parker – Head of Audit Partnership
Decision Type:	Non-key
Classification:	Unrestricted

Purpose of the report: This report presents the proposed Internal Audit Plan for 2019/20 detailing a breakdown of audits and an analysis of available days.

Recommendations: That Members approve the Council's Internal Audit Plan for 2019/20

Summary.

This report sets out the draft plan of work for the forthcoming 12 months for approval.

1. 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 In accordance with current best practice, the Governance Committee should "review and assess the annual internal audit work plan". The purpose of this report is help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with the professional standards for Internal Auditors.

2.0 2019/20 Risk Based Internal Audit Plan.

2.1 The Audit Plan for the year 2019 to 2020 is attached as Annex A and has the main components to support the Audit Charter. The Audit Charter was presented to the March 2017 meeting of this Committee at which time it was agreed for a three year period and will therefore be represented in March 2020. The plan is produced in accordance with professional guidance, including the Public Sector Internal Audit Standards (PISAS). A draft risk based plan is 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. Then amendments have been made following discussions with senior management, taking account of any changes within the Council over the last 12 months, and foreseen changes over the next.

2.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the links to the Council's Corporate Plan and Corporate Risk Register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.

2.3 Furthermore, wider risks are considered, by keeping abreast of national issues and advice from the auditing profession / firms. Over the last year, incidents of money laundering, sexual misconduct at the workplace, fraud, cyberattacks, and data privacy scandals grabbed news headlines, and provided a reminder of why effective governance, risk management, and compliance are so important. For this year we have considered the inclusion of the top ten Institute of Internal Audit identified risks;

- 1 **GDPR** – the data protection regulations that come in to being in May 2018 affect information governance, and audits have been built into the plan to provide assurance on these risks.
- 2 **Cyber Security** – we have a number of ICT reviews built into the EKS audit plan to support the network and digital environment; where possible we will buy in specialist contractors to undertake technical ICT reviews.
- 3 **Brexit** – we have considered this risk and determined that it is too early for us to include anything specific relating to Brexit in the 19-20 audit plan, but will re-consider it next year.
- 4 **Vendor Risk & Third Party Assurance** – the non-performance of contractors and suppliers is always a risk to the Council, events such as the collapse of Carillion focus the mind indeed. We are consequently proposing reviews of Contract Management in the plan.
- 5 **Culture** – this risk is an emerging area for assurance, only 30% of bodies have audited this despite honesty and personal conduct being behind several big headlines in 2018. Reviews that we have typically carried out in this area include Gifts and Hospitality, Anti fraud, whistleblowing, Ethics and compliance with Codes of Conduct. We will keep a watching brief on developments for future consideration
- 6 **Internal Audit Profession Evolving**- this risk is regarding our service keeping up with the new professional standards and changes in technology. It is not built into the 19/20 plan as a separate issue; it is however addressed by keeping up to date with the profession, colleagues in Kent Audit Group, and through Continued Professional Development.
- 7 **Pace of Innovation** – the Council is undertaking various development and digital projects, we have specifically considered this risk, it has been agreed that provision for EKAP to become involved at key stages of projects will be agreed on a case by case basis. Key areas to keep abreast of are ‘big data’, data mining and cloud computing.
- 8 **Workforce Planning** – this has been considered and a review is not proposed for 19/20 as significant work has been undertaken recently by the Council with the help of EKHR and needs time to embed, therefore this will be revisited for next year.
- 9 **Regulatory** – this is a constant risk as the external environment throws new laws at a council and it has to respond. New legislation is something we consider for each area within the audit plan, and thus a separate ‘cross cutting’ review has not been proposed for 19/20.
- 10 **Fraud** – is an ongoing risk assessed in every area of activity that the Council undertakes. Typically we have assessed the Counter Fraud Framework within which the Council operates. This year a provision for 2 days has been set aside undertake some targeted testing.

2.4 There are insufficient audit resources to review all areas of activity each year. Consequently, 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 strategic 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 strategic plan has been included.

- 2.5 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than 1 year. Members are therefore being asked to approve the 2019/20 plan at the present time, and the future years are shown as indicative plans only, 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.
- 2.6 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors 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 2019/20 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.
- 2.7 The risk assessment and consultation to date has resulted in;
- 70% Core Assurance Projects- the main Audit Programme
 - 5% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
 - 4% Corporate Risk – testing the robustness of corporate risk mitigating action
 - 21% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 20.

For 2019/20 the days available for carrying out audit is 255 days. When compared to the resources available and working on the basis that the highest risk areas should be reviewed as a priority, the EKAP has sufficient resources to review all of the high risk areas and all of the medium risk areas this equates to 20 audits.

3.0 **Benchmarking the level of Internal Audit Provision.**

- 3.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district councils within Kent is circa 400 days annum. The audit plan of Dover District Council of 255 days plus their share of the EKS and East Kent Housing audit plans totals 350. The Dover plan is therefore 12.5% less well-resourced than the Kent average.

4.0 **Head of Internal Audit Opinion of the 2019/20 Internal Audit Plan.**

- 4.1 This report is presented to Members by the Council's Strategic Director (Corporate Resources) 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 It is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2019/20 internal plan presented for Members consideration is less well-resourced than the Kent average and accordingly our overall audit opinion at the end of the year will be limited to commenting on the systems of internal control that have been examined. The current resources of the EKAP will allow for an opinion to be given on the Council's key

risk areas and systems. This should be sufficient coverage to inform the Annual Governance Statement.

- 4.3 The Head of the East Kent Audit Partnership highlights that Members either approve the 2019/20 internal audit plan as drafted or they may recommend to Cabinet that additional resources should be allocated to bring the plan up to the Kent average. This would require an additional 50 days per annum, which at an estimated cost per audit day of £300 would cost £15,000 per annum.

5.0 Background Papers.

- Internal Audit Annual Plan 2018/19 - Previously presented to and approved at the March 2018 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.
- Former Audit Charter and Strategies - Previously presented to and approved at Governance and Audit Committee meetings.

Attachments

Annex A Dover District Council draft 2019/20 Internal Audit Plan

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.