

---

<b>Subject:</b>	<b>DRAFT INTERNAL AUDIT PLAN 2021-22</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 15<sup>th</sup> April 2021</b>
<b>Report of:</b>	<b>Christine Parker – Head of Audit Partnership</b>
<b>Decision Type:</b>	<b>Non-key</b>
<b>Classification:</b>	<b>Unrestricted</b>

---

<b>Purpose of the report:</b>	This report sets out the proposed Internal Audit Plan for 2021/22 detailing a breakdown of audits and an analysis of available days.
-------------------------------	--

---

<b>Recommendations:</b>	That Members approve the Council's Internal Audit Plan for 2021/22
-------------------------	--

---

### **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 to 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 2021/22 Risk Based Internal Audit Plan.**

2.1 The Audit Plan for the year 2021 to 2022 is attached as Annex A and has the main components to support the approved Audit Charter. 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. 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 **Information Security in the Expanded Work Environment** - 2020 brought with it a unique cyber and data security challenge. In addition to known risks surrounding data management, the GDPR data protection regulations and wider information governance, cyber-attacks continued to develop, new risks emerged resulting from the rapid widespread shift to homeworking amid national lockdowns. Lacking personal interaction, staff can be more susceptible to social engineering ploys as they cannot immediately sense-check emails with nearby co-workers. Given that remote and flexible working arrangements are likely to be in place going forward, it is more important than ever that cyber defences are robust and adaptable and that the information security culture is promoted throughout every level of the Council to raise awareness and ensure the integrity of staff behaviour. We have some ICT reviews built into the EKS audit plan to support the network and digital environment, and Information Governance reviews or consultancy work is also planned (Cloud Computing/Digital audit in Quarter 3).
- 2 **Regulatory Risk** – The risk regarding the impact recent operational disruptions have had on the work of compliance and the ability of the Council operations to remain compliant or, the extent to which the Council has been capable of maintaining acceptable standards of compliance amid the shake-up of operations and control systems during the pandemic. This also applies to the reorganisation of the business as staff return to the office and working arrangements are adjusted to whatever “new normal” the Council will determine best suits it and its workforce. It is not an EKAP function to ensure compliance, but it is considered as part of each review in the plan. ‘New legislation’ is a risk factor we consider for each area within the audit plan, and thus a separate ‘cross cutting’ review has not been proposed for 21/22. We have considered Brexit risk and determined not to include anything specific for EKAP relating to Brexit in the 21-22 audit plan, also considering all the collective work the Council has been undertaking with its partners to date.
- 3 **Digital Transformation Risk** – the Council is undertaking various development and digital projects, in considering 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. The events of 2020 have magnified the digital imperative, making such transformations a more pressing priority by driving home the value of digital products and services and the flexibility Councils can achieve by digitalising their operations. Yet the pandemic also may have frustrated digital progress, innovation and transformation initiatives by making them more complex and challenging. Key areas to keep abreast of are ‘big data’, data mining and cloud computing.
- 4 **Financial, Capital and Sustainability Risk** - Even companies with strong balance sheets (i.e. high levels of cash versus low liabilities) will have to consider their financial sustainability in a potentially challenging trading environment through 2021. The world may be facing the deepest recession in living memory and the recovery may take a long time. Therefore, there is pressure on Councils to use cash wisely and cut costs where necessary. The longer-term impact of these risks is recognised in the Corporate Risk Register and through its financial modelling and MTPF.
- 5 **Workforce Risk** – The Council through its EKHR function also faces the challenge of creating safe working environments and ensuring the wellbeing of workers in the face of potential coronavirus resurgences and the psychological impact months of isolation may have had. Diversity is another key human capital risk that organisations need to be conscious of. The Black Lives Matter movement has put social equality at the

centre of public debate and organisations will need to ensure that their hiring and pay policies are fair, representative and do not unintentionally or unconsciously bias against particular demographics. The EKHR reviews come under the EKS plan which is included.

- 6 **Disaster & Crisis Management Risks** - One of the biggest lessons to take from 2020 is the importance of crisis preparedness including the resilience and adaptability of the Council. Whilst there are business continuity plans (BCPs) in place, these are more likely to have accounted for short-lived events like power or network outages, earthquakes and data breaches. The pandemic has set a new precedent in crisis management by showing the extensive and simultaneous impact that global events can have. BCPs must address operational resiliency by identifying and stress testing key processes and assets including the availability of employees and continuity of supply chains to deliver services. A review of this area is planned for a future year.
- 7 **Third Party Risk** – the non-performance of contractors and suppliers is always a risk to the Council, just about everything we do today has some level of third-party involvement, whether we are aware of it or not. The Council should be aware of weaknesses, pressure points and potential bottlenecks in its supply chains, and be able to evidence that supplier/ contractor insolvency risk is being sufficiently managed. We have also considered risks of third parties gaining access to sensitive data, we are proposing reviews of Contract Management in the 21-22 plan including CSO Compliance and service contract management.
- 8 **Fraud, Bribery and Financial Crime Risk**– Exploitation of operational and economic disruption is an ongoing risk assessed in every area of activity that the Council undertakes. There is an increased risk in ploys to capitalise on the pandemic including grant fraud and money laundering. Additionally, the effectiveness of the control environment may have been weakened by the transition to remote working and reduced or limited access to parts of the business and its resources. We have given due consideration in assessing the Counter Fraud Framework within which the Council operates, there is not a cross cutting review of Counter Fraud proposed, rather to consider this risk within each planned review.
- 9 **Climate Change Risk**- organisations are facing a broad range of risks, based in a rapidly changing and evolving area it has been identified as potentially being the next Global Crisis; new rules and legislation are to be anticipated, weaving climate change elements into relevant key risk areas is included in the 21/22 plan.
- 10 **Conduct & Culture Risks** – this risk is an emerging area for assurance, only 30% of bodies have audited this despite honesty and personal conduct being behind several big national (sector wide) headlines. Reviews that we have typically carried out in this area include Gifts and Hospitality, Anti-fraud & Corruption, Whistleblowing, Ethics and compliance with Codes of Conduct. We will keep a watching brief on developments for future consideration, noting that all of our work contributes to the assurances given in the Annual Governance Statement.

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 2021/22 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 2021/22 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;
- 78% Core Assurance Projects- the main Audit Programme
  - 0% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
  - 0% Corporate Risk – testing the robustness of corporate risk mitigating action
  - 22% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 22.

For 2021/22 the days available for carrying out audit is 290 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 22 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 290 days plus their share of the EKS audit plan 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 2021/22 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 2021/22 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 2021/22 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 £350 would cost £17,500 per annum.

## **5.0 Background Papers.**

- Internal Audit Annual Plan 2020/21 - Previously presented to and approved 2020 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.
- Former Audit Mission, Audit Charter and Strategies - Previously presented to and approved at Governance and Audit Committee meetings.

### **Attachments**

Annex A     Dover District Council draft 2021/22 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.

Draft Audit Plan 2021-22