
Subject:	DRAFT INTERNAL AUDIT PLAN 2024-25
Meeting and Date:	Governance Committee – 28th March 2024
Report of:	Christine Parker – Head of Audit Partnership
Portfolio Holder:	Portfolio Holder for Finance, Governance, Climate Change and Environment - Councillor S H Beer
Decision Type:	Non-key
Classification:	Unrestricted

Purpose of the report:	This report sets out the proposed Internal Audit Plan for 2024-25 detailing a breakdown of audits and an analysis of available days.
Recommendations:	That Members approve the Council’s Internal Audit Plan for 2024-25

Summary.

This report details 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. Risk Based Internal Audit Plan.

- 2.1 The Audit Plan for the year 2024 to 2025 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 (PSIAS). 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. The annual “Risk in Focus” report provides an opportunity to track how risk priorities are developing over time. A number of dominant themes are emerging. Climate change, biodiversity and environmental sustainability has gained in prominence more than any other risk type over the past three years. It is a moving target that organisations will have to make continuous efforts to mitigate for decades to come. This should therefore be considered a “forever risk” that is likely to move up the risk rankings over time. Risks related to business continuity, crisis management and disaster response have been heavily impacted by recent events, and the same is true of health, safety & security, Human capital, diversity and talent management and organisational culture. These latter three have a clear human capital element to them. Organisations have been forced to flex and adapt, protecting their workforces from harm as health risks sharply escalated and hybrid working evolved. The top five identified risks through ‘Risk In Focus’ survey have been considered for inclusion in the 2024-25 plan as follows;

1 - Cyber Security & Data Security – retained its long-standing pole position as the top threat. A review of cyber security was undertaken in 2023-24 and given the incident in January 2024 a very detailed follow up will be undertaken in 2024-25. Additional risk areas within ICT identified provision for Network Security, Data Management & PCI-DSS, and also Disaster Recovery which have also been included in the draft plan.

2 - Human Capital, Diversity & Talent Management –also retained its 2nd place ranking in the report as many businesses find themselves out of sync with post-pandemic culture. This is a vital area of risk as both strategic goals and risk management require a broad and deep base of talent and skills for success. There are HR reviews planned across the strategic audit plan including a review of Apprenticeships in 24-25 as well as Payroll and Employee Benefits In Kind.

3 - Macroeconomic and Geopolitical Uncertainty - weathering the economic effects of higher inflation and interest rates and the market changes they engender changes the emphasis of this risk category this year as it cuts across all areas, from financial liquidity and insolvency risk, to business continuity and supply chain resiliency. Reviews of Treasury Management, Main Accounting System, Disaster Recovery and Emergency Planning, as well as Service Contract Management have been allocated in 2024-25 relating to this risk. The inclusion of the Port Health audit reflects the s.25 budget uncertainty surrounding the impact of Central Government intentions in this area.

4 - Climate Change, Biodiversity and Environmental Sustainability - has slipped down the priority rankings, but a raft of new regulations – including Europe’s Corporate Sustainability Reporting Directive - means that organisations expect this to be the 3rd biggest risk by 2027. Keeping a strategic, entrepreneurial attitude will be key to avoid being mired in compliance. A Climate Change review was undertaken in 2022-23 and time has been allocated in the 2024-25 plan for a follow up review, to assess the Council’s progress against this agenda.

5 – Supply Chain, Outsourcing and Nth Party Risk - a key area where dynamic, fast-moving interconnected risks – economic headwinds, deglobalisation, physical threats to logistics, climate related weather events and new regulations, make strategic and operational innovation a must. Stress on supply chains will be a constant feature over the next few years, a review of Service Contract Management has been allocated in 2024-25 relating to this area.

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 2024-25 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 2024-25 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;
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| 75% | Core Assurance Projects- the main Audit Programme; |
| 3% | Fraud Work – fraud awareness, reactive work and investigating potential irregularities; |
| 0% | Corporate Risk – testing the robustness of corporate risk mitigating action; and |
| 22% | Other Productive Work – Corporate meetings, follow up, general advice, liaison. |

Total number of audits is 27.

For 2024-25 the days available for carrying out audits are 343 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 undertake 27 audits. The detailed draft audit plan is contained in Annex A. The current resources of the EKAP will allow for an assurance opinion to be given on the Council's key risk areas and systems. This should be sufficient coverage to inform the Annual Governance Statement.

3. 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 387 days annum. The audit plan of Dover District Council of 318 days plus their share of the Civica audit plan totals 343. The Dover plan is therefore 44 days less well-resourced than the Kent average benchmark.

4. Head of Internal Audit Opinion of the 2024-25 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 2024-25 internal plan presented to Members will allow for an assurance opinion to be given on the Council's key risk areas and systems - which accordingly will be limited to commenting on the systems of internal control that have been examined in the year.
- 4.3 The Head of the East Kent Audit Partnership recommends that Members approve the 2024-25 internal audit plan as drafted, noting that to bring the plan up to the Kent average benchmark

would require an additional 44 days per annum, which at an estimated cost per audit day of £400 would cost £17,600 per annum.

5. Background Papers.

- Internal Audit Charter, Strategy and Internal Audit Annual Plan 2023-24 - Previously presented to and approved in March 2023 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 Committee meetings.

Attachments

Annex A Dover District Council & EKS/Civica draft 2024-25 Internal Audit Plans

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.