

DRAFT INTERNAL AUDIT PLAN 2024-25

Governance & Audit Committee	6 March 2024
Report Author	Head of Internal Audit
Portfolio Holder	Cllr Rob Yates, Cabinet Member Corporate Services.
Status	For Approval
Classification:	Unrestricted
Key Decision	No

Executive Summary:

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

Recommendation(s):

That the report be received by Members.

That the draft 2024-25 Internal Audit Plan be approved.

Corporate Implications

Financial and Value for Money

There are no financial implications arising directly from this report. The costs of the audit work are being met from the Financial Services 2024-25 budgets.

Legal

The Council is required by statute (under the Accounts and Audit Regulations and section 151 of the Local Government Act 1972) to have an adequate and effective internal audit function.

Risk Management

Section 3.0 of the report provides full details of the risk management approach to the development of the draft 2024-25 internal plan.

Corporate

Under the Local Code of Corporate Governance the Council is committed to comply with requirements for the independent review of the financial and operational reporting processes, through the external audit and inspection processes, and satisfactory arrangements for internal audit.

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

There are no equity or equalities issues arising from this report.

Corporate Priorities

This report relates to the following corporate priorities: -

- To keep our district safe and clean
- To deliver the housing we need
- To protect our environment
- To create a thriving place
- To work efficiently for you

1. Introduction and Background.

1.1 The purpose of the Council's Governance & Audit 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 & Audit 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 Data Management, and ICT Acquisitions & Disposals 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 Apprenticeships, Payroll and Employee Benefits-in-Kind in 2024-25.

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, Budgetary Control, Business Continuity, Emergency Planning, Contract Management have been allocated in 2024-25 relating to this risk.

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 further 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, reviews of Procurement, Tendering, Contract Management, have 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;
- 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 34.

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 34 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 Thanet District Council of 348 days plus their share of the Civica audit plan totals 373. The Thanet plan is therefore 14 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 Director of Corporate Services 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 14 days per annum, which at an estimated cost per audit day of £400 would cost £5,600 per annum.

5. Options

- 5.1 Members approve the 2024-25 Internal Audit Plan.

Contact Officer: Christine Parker, Head of the Audit Partnership, Ext. 42160
: Simon Webb, Deputy Head of Audit, Ext 7189

Reporting to: Chris Blundell; Director of Financial Services (s.151 Officer)

Annex List

Annex A Thanet District Council Draft 2024-25 Internal Audit Plan

Background Papers

Title	Details of where to access copy
Former Internal Audit Annual Plan 23-24	Previous plan presented to and approved in March 2023 at Governance and Audit Committee meeting
Audit Charter & Mission	Previously presented to and approved at March 2023 Governance and Audit Committee meetings.

Corporate Consultation

Finance Legal	Chris Blundell; Director of Corporate Services Ingrid Brown; Head of Legal, Democracy & Monitoring
--------------------------------	---