

This Report will be made public on 7 March 2023



Report Number **AuG/22/26**

**To:** Audit and Governance Committee  
**Date:** 15 March 2023  
**Status:** Non-Executive Decision  
**Corporate Director:** Charlotte Spendley – Director – Corporate Services (S151)

**SUBJECT: INTERNAL AUDIT CHARTER AND DRAFT INTERNAL AUDIT PLAN 2023/24 FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP**

**SUMMARY:** This report includes the Audit Charter for the East Kent Audit Partnership which sets out the overarching vision, aims and strategy for the Internal Audit Service together with the draft plan of work for the forthcoming 12 months for approval.

**REASONS FOR RECOMMENDATION:**

The Committee is asked to agree the recommendations set out below because: In order to comply with best practice, the Audit and Governance Committee should independently contribute to the overall process for ensuring that an effective internal control environment is maintained.

**RECOMMENDATIONS:**

- 1. To receive and note Report AuG/22/26.**
- 2. That Members approve (but not direct) the Council's Internal Audit Plan for 2023/24**
- 3 That Members approve to adopt the Internal Audit Charter for delivery of the internal audit service for the next three years.**

## **1. INTRODUCTION**

- 1.1 The purpose of the Council's Audit & 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 Audit Mission & Charter.**

- 2.1 The Audit Mission is a simple high-level statement setting out the objectives for the service, please see attached as Annex A.
- 2.2 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 Committee is also demonstrating its effectiveness by ensuring that these mechanisms are in place and are working effectively.
- 2.3 The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, it goes on to set out the Terms of Reference, Organisational Relationships and Independence, Competence and Standards of Auditors, the Audit Process and in providing an Internal Audit function to the partner councils; as well as the resources required across the four partnership sites and details how the resource requirements will be met.
- 2.4 The Audit Charter is attached as Annex B to this report. It is essentially the 'Why' and 'How' the East Kent Audit Partnership will provide the Internal Audit Service. It is a document that does not materially change from year to year and consequently it was suggested last year that this be approved for the next three years (to 31<sup>st</sup> March 2026) with the caveat that should any significant changes be required a revised Charter will be presented for consideration. Having undertaken a detailed self-assessment against the revised Public Sector Internal Audit Standards (PSIAS) minor aspects of the Charter were refreshed, consequently the attached version contains the tracked changes as showing, so that the areas updated can be easily identified. It is proposed again, that subject to there being any future changes to the standard having a knock on effect to the Charter, this document will next be brought back to this Committee in March 2026.

### **3.0 Risk Based Internal Audit Plan.**

- 3.1 The Audit Plan for the year 2023 to 2024 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.
- 3.2 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.
- 3.3 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 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 disasters 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 over the past 18 months, protecting their workforces from harm as health risks sharply escalated. As the pandemic has rolled on for longer than many expected, organisations have had to think about the psychological wellbeing of their staff and what socially distanced and remote working conditions mean for staff cohesion and culture. The top ten identified risks through 'Risk In Focus' survey have been considered for inclusion in the 2023/24 plan as follows;

**1 - Cyber Security & Data Security** – Cybersecurity and data security retained its hold as the number one threat in the Risk in Focus 2023 survey – with 82% of respondents saying it was a top five risk (the same as in 2022). It is also the area on which internal auditors say they spend most time and effort. In three years' time, internal auditors expect the risk to still rank highest as a threat to their organisations but with slightly fewer ranking it a top five risk (77%). In fact, the threat landscape has become more dangerous – not least because of the war in Ukraine. Survey respondents said cybercrime and data security was their second biggest risk from the conflict. In addition to this ransomware acts increased by 80% in 2022. There is an ICT review in the audit plan for 2023/24.

**2 - Human Capital, Diversity & Talent Management** – In the wake of an ongoing pandemic, organisational culture and talent management have become key areas of competitive advantage for organisations. Human capital, diversity and talent management ranked 2nd in Risk in Focus 2023's risk ranking, up from fourth place in 2022. With 50% citing it as a top five risk this year compared to 40% last year. Eighteen per cent of respondents said it was their number one priority. It is a risk that is firmly cementing itself among the hardest challenges businesses face and internal auditors say that it will rank as the second largest risk three years from now – with 21% saying it will be their number one priority. There are HR reviews planned across the strategic audit plan and for 2023/24 there is a review of recruitment & leavers.

**3 - Macroeconomic and geopolitical uncertainty** - The war in Ukraine took many organisations by surprise, including those with deep commercial interests in the region. As the Risk in Focus 2023 survey took place during the first quarter of 2022 when the conflict was just beginning, the crisis helped to push macroeconomic and geopolitical uncertainty into 3rd place in the survey, up from seventh just a year ago. With 46% citing it as a top five risk this year, compared to 32% last year. No time has been allocated in 2023/24 regarding this risk.

#### **4 - Changes in laws and regulations**

This risk has reduced slightly down from number 2 in 2022. Local councils will always be subject to changes in laws and regulations from government and are expected to react immediately to these changes. There is no time allocated specifically in the 2023/24 plan, but any changes are picked up within the individual audit reviews.

#### **5 - Digital disruption**

Digital disruption, new technology and AI - The pandemic pushed organisations' digitalisation efforts into third place in the risk rankings in the Risk in Focus 2022 survey as they moved staff to homeworking and shifted sales online. Not surprisingly, perhaps, this year internal auditors ranked it as the 5th biggest risk their organisations faced. With 38% citing it a top five risk this year compared to 45% last year. The Council is expected to keep pace with advances in digital services and this is a constant pressure upon them. No time has specifically been allocated in 2023/24.

**6 - Climate change and environmental sustainability** - While internal auditors have had climate change on the agenda for some time, chief audit executives taking part in this year's Risk in Focus 2023 roundtable on the topic agreed that it was moving higher up their agendas. "Last year we were starting to wake up to the issue with training and seminars; this year we are getting into the detail and starting to implement environmental issues in every audit," said one participant. A Climate Change review has been undertaken recently and time has been allocated in the 2023/24 plan for a follow up to assess the Council's progress against this agenda.

#### **7 - Business continuity, crisis management and disasters response**

Following the pandemic and the large scale changes that have been introduced since that time, such as working from home, etc. The Council's business continuity plans and responses have been thoroughly tested and lessons have been learnt. Although

there has been wide spread vaccinations undertaken nationally there is still the risk from variants of Covid and the Council must always be prepared for this. The next audit review of this area is scheduled for 2024/25.

### **8 – Supply chain, outsourcing and nth party risk**

Supply chain, outsourcing and 'nth' party risk - stress on supply chains will be a constant feature over the next few years, especially since the European Commission's Proposal for a Directive on Corporate Sustainability Due Diligence seeks to further tighten environmental and human rights protection in law. In this year's survey, supply chain, outsourcing and "nth" party risk ranked eighth in terms of its potential impact (up from ninth in 2022) and respondents said it ranked sixth in terms of the areas where internal audit functions spend most time and effort.

No time has specifically been allocated in 2023/24 to this.

**9 - Financial, liquidity and insolvency risks** - Last year's Risk in Focus assessment showed that organisations were firmly concentrating on their financial resilience and liquidity, whilst this remains an issue for all organisations, there is a new focus to ensure that key business partners are being monitored. Insolvencies may rise in correlation with the withdrawal of government support, indeed, it has been estimated that insolvency rates will raise by 13%, Services, leisure, hospitality and travel sectors rely on government policy and, approaching two years into the pandemic, the future of businesses in these industries is still in question. Contractor or supplier failure remains a key risk. There is a review of budgetary control in 2023/24.

### **10 - Organisational governance and corporate reporting –**

Organisational governance has moved up slightly to now feature in the top ten risks for 2023. This is an important aspect of any company and especially for a local council which represents the local community and residents. It must be seen as complying with the many and various governance requirements placed upon a council to keep the trust of the local people. There are reviews scheduled in 2023/24 for Otterpool Park Governance, Financial Procedure Rules and RIPA.

- 3.4 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.
- 3.5 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 2023/24 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.

3.6 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 2023/24 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.

3.7 The risk assessment and consultation to date has resulted in;

- 86% 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
- 14% Other Productive Work – Corporate meetings, follow up, general advice, liaison

Total number of audits 30.

For 2023/24 the days available for carrying out audit is 350 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 undertake 30 audits.

The detailed draft audit plan is contained in Annex C.

#### **4.0 Benchmarking the level of Internal Audit Provision.**

4.1 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 Folkestone & Hythe District Council of 350 days. The Folkestone & Hythe plan is therefore 12.50% less well-resourced than the Kent average.

#### **5.0 Head of Internal Audit Opinion of the 2023/24 Internal Audit Plan.**

5.1 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.

- 5.2 It is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2023/24 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.
- 5.3 The Head of the East Kent Audit Partnership highlights that Members either approve the 2023/24 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 £400 would cost £20,000 per annum.

#### 4. RISK MANAGEMENT ISSUES

- 4.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Non completion of the audit plan	Medium	Low	Review of the audit plan on a regular basis
Non implementation of agreed audit recommendations	Medium	Low	Review of recommendations by Audit and Governance Committee and Audit escalation policy.
Non completion of the key financial system reviews	Medium	Medium	Review of the audit plan on a regular basis. A change in the external audit requirements reduces the impact of non-completion on the Authority.

#### 5. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

##### 5.1 Legal Officer's comments (AK)

No legal officer comments are required for this report.

##### 5.2 Finance Officer's Comments (CS)

Responsibility for the arrangements of the proper administration of the Council's financial affairs lies with the Director – Corporate Services (s.151). The internal audit service helps provide assurance as to the adequacy of the arrangements in place. It is important that the recommendations accepted by Heads of Service are implemented and that audit follow-up to report on progress.

### 5.3 **Head of the East Kent Audit Partnership comments (CP)**

This report has been produced by the Head of the East Kent Audit Partnership and the findings / comments detailed in the report are the service's own, except where shown as being management responses.

### 5.4 **Diversities and Equalities Implications (CP)**

This report does not directly have any specific diversity and equality implications however it does include reviews of services which may have implications. However none of the recommendations made have any specific relevance.

## 6. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

6.1 Councillors with any questions arising out of this report should contact either of the following officers prior to the meeting.

Christine Parker, Head of the Audit Partnership  
Telephone: 01304 872160 Email: [Christine.parker@folkestone-hythe.gov.uk](mailto:Christine.parker@folkestone-hythe.gov.uk)

Charlotte Spendley Director – Corporate Services (S151)  
Telephone: 01303 853420 Email: [Charlotte.spendley@folkestone-hythe.gov.uk](mailto:Charlotte.spendley@folkestone-hythe.gov.uk)

6.2 The following background documents have been relied upon in the preparation of this report:

- Internal Audit Annual Plan 2022/23 - Previously presented to and approved in March 2022 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    Audit Mission  
Annex B    EKAP Internal Audit Charter  
Annex C    Folkestone & Hythe District Council draft 2023/24 Internal Audit Plan



## **East Kent Audit Partnership Mission**

The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Folkestone & Hythe District Council (F&HDC), 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, supported by an agreed Audit Charter, is to build a resilient service that provides opportunities to port best practice between the four councils and East Kent Services acting as a catalyst for change and improvement to service delivery as well as providing assurance on the governance arrangements in place.

EKAP provides an independent, objective assurance and consulting activity designed to add value and improve the councils' operations. It helps the partners accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission for internal auditing (linked to the definition above) is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight reflecting each councils' Corporate Objectives.



## **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 EKAP is committed to the highest standards and prides itself on complying with the definition of Internal Auditing, the ethical codes that the profession requires and adopting the International standards.
- 1.3 The Audit Partnership is hosted by Dover District Council. The four East Kent authorities Canterbury City Council (CCC), Dover District Council (DDC), Folkestone & Hythe District Council (F&HDC), 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.
- 1.4 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.
- 1.5 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 and audit committees of the individual partners.
- 1.6 Accountability for the response to the advice and recommendations of the Audit Partnership lies with each partner's own management.
- 1.7 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 as required by Section 6 of the Accounts and Audit Regulations 2015.

## **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 East Kent Audit Partnership has therefore adopted the best practice principles set out in the Public Sector Internal Audit Standards (PSIAS). The definition of Internal Audit taken from their guidance is as follows:

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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 Responsibility & Scope

2.2.1 Internal Audit is responsible for appraising and reviewing:

- 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,
- e) whether operations are being carried out as planned and objectives and goals are being met.
- f) Significant emerging risk exposures which threaten the delivery of Corporate objectives.
- g) Fraud and corruption risks.
- h) Governance issues and risks which threaten the ethical delivery of services.

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 Internal 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 s.151 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.

2.2.4 Assurance to third parties may be agreed, by the Head of Audit Partnership with the relevant s.151 Officer on a case by case basis; such as acting as the First Level Controller for Inter Reg Grant Claims. The rate charged to a third party for assurance work is set by the Joint s.151 Client Officer Group at £375 per audit day. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include, for example the verification of claims or returns.

2.2.5 The decision to undertake consultancy services will be made in conjunction with the relevant partner's s.151 Officer and other management as necessary. The EKAP is able to avoid conflicts of interest if carrying out consultancy work due to the flexibility of the arrangements, as auditors may be rotated accordingly. The decision to provide such a service is informed by the required timing of the work, whether the skills and resources are available and if it is in the best interest of the EKAP and the Partners to do so, the nature of this work may include for example, being involved on project teams for new systems development. There are no contingency provisions within the agreed audit plans, therefore if work has not been included in the plan from the outset, a variation will need to be agreed for any consultancy work, to re-allocate time within the relevant partner's own plan, or through buying in additional resource to back-fill whilst partnership staff carry out the assignment.

### 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 Lead body for the Audit Partnership.

2.3.3 The Head of Audit Partnership works principally with a nominated officer, the s.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.

## 2.4 **Avoiding Conflicts of Interest**

- 2.4.1 An additional benefit of four councils working in partnership to provide an internal audit service, is providing sufficient staff to give flexibility and the opportunity for the rotation of Auditors. Where consultancy projects are requested and agreed, conflicts of interest will be avoided by preventing the Auditor undertaking that project from reviewing that area of operation for a period of time equivalent to current year plus one (see also paragraph 3.2 below). The EKAP provides a pure audit arrangement and does not have any "non audit" or operational responsibilities that would otherwise have the potential to cause a conflict of interest.

## 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**

- It is the responsibility of management, not auditors, to maintain systems of internal control.
- 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).
- 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.

- Co-operative relationships will be fostered with management to enhance the ability of the Audit Partnership to achieve its objectives effectively.
- 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 Relationship with Line Management and Statutory Officers**

3.3.1 The Head of Audit Partnership will have regular meetings with each of the Partner's s.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 s.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.

The outcome of which will be report to the Audit Committee, whose attention will be drawn to critical or high risk matters outstanding after follow up.

3.3.3 The Head of Audit Partnership has unrestricted access to the s.151 Officer, the Monitoring Officer and the Head of Paid Service as appropriate. Engagement with the statutory officers is not prescribed, however regular attendance at CMT with IA updates is desirable.

### **3.4 Relationship with the Partners**

3.4.1 The Head of Audit Partnership has a reporting line relationship directly to the Dover District Council's Director of Finance, Housing and Communities the Council's s.151 Officer. Together under the Collaboration Agreement for the provision of one shared Internal Audit Service, the four s.151 Officers form the "Client Officer Group" which is the key governance reporting line for the EKAP. The s.151 Client Officer Group meets collectively with the Head of Audit Partnership to consider the strategic direction and development of the partnership and any performance matters.

3.4.2 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, EKAP will present an Annual Audit Report that is used to inform the councils' governance statement to:

- Provide an individual summary of the work completed for each Partner,
- Compare actual audit activity with that planned,
- Provide an opinion on the adequacy and effectiveness of the councils' framework of governance, risk management and control,

- Summarise the performance of the East Kent Audit Partnership against its performance criteria, and provide a statement of conformance with professional standards, with details of the quality assurance and improvement programme,
- Include the cost of the service for the partner.

The Accounts and Audit Regulations section 5 requires that a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Charter sets out how the EKAP will meet this requirement.

### 3.5 Relationship with Audit Committees

Please note the PSIAS refer to the 'board', and it is expected that the audit committee will fulfil the role of the board in the majority of instances.

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 the opinion given through the Governance Assurance Statement, which is published annually. The Accounts and Audit Regulations section 3 requires that a relevant authority has a sound system of internal control which

- facilitates the effective exercise of its functions and the achievement of its aims and objectives,
- ensures that the financial and operational management of the authority is effective, and
- includes effective arrangements for the management of risk.

This Charter establishes how the EKAP contributes to complying with the regulations and creates the link to the Annual Governance Statement. The Committee will also approve the annual work plan for their Council.

The Head of Audit Partnership will escalate any critical or high-risk matters of concern that have not been adequately actioned by management at the progress report stage to the committee via the quarterly update report, drawing attention to significant matters in the annual report. The Head of Audit Partnership may meet privately with the chair of the audit committee and has direct access to the committee should this be required.

The Audit Committee will note decisions relating to the appointment and removal of the Head of Audit Partnership.

### 3.6 Relationship with External Audit

- 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.
- In particular the Head of Audit Partnership will:



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

### **3.7 Relationship with 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.

### **3.8 Relationship with the Public**

The councils' Anti-Fraud, Corruption, Bribery and Whistleblowing policies encourage staff, members, contractors and members of the public to raise their concerns in several ways, one of which includes making contact with Internal Audit. This Charter therefore considers the responsibility EKAP has with investigating complaints made from contractors, staff or the general public about their concerns. It is concluded that each case must be assessed on its own merits and agreement with the s.151 Officer reached before EKAP resources are directed towards an investigation.

## **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 Public Sector Internal Audit Standard 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. In addition to professional codes of ethics, the EKAP staff are bound to the DDC Code of Conduct through their employment contract.

## **5 Audit Process**

### **5.1 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.

## **5.2 Planning**

5.2.1 The internal 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, to take into account the new priorities and risks of each authority. This 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 Head of Audit Partnership works together with the two Deputy Heads of Audit 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
- An Annual Plan for each partner, specifying the planned audits to be performed each year, their priority and the resource requirements for each planned audit review.

5.2.2 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).

## **5.3 Documentation**

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. 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.

## 5.4 Consultation

5.4.1 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 arrange 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, s.151 Officer or Monitoring Officer will be obtained.

5.4.2 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.

## 5.5 Reporting

5.5.1 A written discussion document (draft report) is prepared and issued by the responsible Auditor at the conclusion of each audit. Prior to its issue, the appropriate Deputy Head of Audit reviews the draft together with the supporting working papers. The purpose of this document is to allow the service manager the opportunity to confirm factual accuracy and challenge any of the findings of the review.

5.5.2 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 mitigate or control them.

5.5.3 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.

- 5.5.4 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.
- 5.5.5 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.
- 5.5.6 Each Final Report carries one of four possible levels of Assurance. This is assessed as a snapshot in time, the purpose of which is for all stakeholders to be able to place reliance on that system of internal controls to operate as intended; completely, consistently, efficiently and effectively. Assurance given by Internal Audit at the year end is based on an overall assessment of the assurance opinions it has given during that year, and can only apply to the areas tested. There are insufficient resources to audit every aspect of every area every year.
- 5.5.7 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.

## 5.6 Follow Up

- 5.6.1 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 critical, high, medium or low risk. The due date for implementation and the responsible person are also recorded.
- 5.6.2 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).
- 5.6.3 Further testing will be carried out where necessary (e.g. critical and high risk recommendations) to independently confirm that effective action has in fact taken place.
- 5.6.4 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 the audit committee.

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

## **6 Resources**

### **6.1 Staff Resources**

6.1.1 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 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 CIIA.

6.1.2 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.

6.1.3 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.

### **6.2 Budget**

The EKAP budget is hosted by DDC and apportioned between the partners based on the agreed number of audit days. The cost per audit day is a metric reported annually in the Annual Report. The budget includes direct and indirect costs to the partnership. The individual salaries paid to the staff, including the Head of the Audit Partnership are standard grades as assessed by the DDC Job Evaluation system.

## **7. Quality assurance**

The quality assurance arrangements for the EKAP include all files being subject to review by either the Deputy Head of Audit for the site and/or by the Head of Audit Partnership (particularly if the review has 'no' or 'limited' assurance). The review process is ongoing and includes adequate supervision of the audit staff and of the audit work performed. This review ensures that the work undertaken complies with the standards defined in the Public Sector Internal Audit Standards and with the requirements of this Charter. 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. To comply fully with the PSIAS the EKAP has presented the options for an external quality assessment to be undertaken before October 2017. However, the s.151 Client Officer Group has decided to not spend resources on an External Quality Assessment but to rely on the self-assessment.

## **8. Additional Services**

### **8.1 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 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. The Head of Audit Partnership will give consideration to conflicts of interest, capacity, skills and competency when assessing the scope of the investigation, before agreeing to undertake the engagement. The reporting lines and methodology will vary from investigation to investigation dependent on the circumstances. Close liaison with the Monitoring Officer and s.151 Officer is essential, particularly in the (rare) event of a potential criminal matter.

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

The s.151 Officer will keep the Head of Audit Partnership apprised via the regular meetings of any disciplinary action taken by the council that may be relevant to internal audit planning and risk assessments, if staff have been found to act deceitfully or circumvent controls etc.

### **8.2 Ad Hoc / Consultancy Work/ External Bodies**

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, 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. Conflicts of interest may be avoided if carrying out consultancy work due to the flexibility of the arrangements within the EKAP, as we are able to rotate auditors accordingly. Approval of requests from Management for additional projects are subject to certain criteria, to include whether the EKAP has the relevant skills and capacity to undertake the assignment.

Requests for assurance work from external bodies are not anticipated, nor does the EKAP have capacity or spare resource to deliver such requests. However, in the event that a request is received, the s.151 Client Officer Group would consider and authorise such an undertaking and a separate legal agreement confirming the engagement would be drawn up with DDC as the host authority (EKAP not being a separate legal entity). The Head of Audit Partnership would give the same consideration to conflicts of interest, capacity, skills and competency when assessing the scope of the work, as it if were an internal assignment, before agreeing to undertake the engagement.

### **8.3 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. Audit plans may 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.

## **9. Amendment to Audit Charter**

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

February 2023

### **References:**

Audit Manual  
Public Sector Internal Audit Standards (PSIAS)  
CIPFA Local Government Application Note to PSIAS

## 10. Glossary

### **Add Value**

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

### **Adequate Control**

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

### **Assurance Framework**

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

### **Assurance Services**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

### **Audit Committee**

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

### **Board**

The highest level of governing body charged with responsibility to direct and oversee the activities and management of the organisation. Typically, this includes an independent group of directors (eg a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' is the head of the company or agency. 'Board' may refer to an audit committee to which the governing body has delegated its authority.

### **Charter**

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

### **Chief Audit Executive**

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics and the International Standards. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organisations.

### **Code of Ethics**

The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal



auditing. Compliance Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

### **Conflict of Interest**

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

### **Consulting Services**

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

### **Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. 32 Public Sector Internal Audit Standards.

### **Control Environment**

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: Integrity and ethical values. Management's philosophy and operating style. Organisational structure. Assignment of authority and responsibility. Human resource policies and practices. Competence of personnel. Control Processes The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the level of risk that an organisation is willing to accept.

### **Engagement**

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

### **Engagement Objectives**

Broad statements developed by internal auditors that define intended engagement accomplishments.

### **Engagement Opinion**

The ratings, conclusions or other descriptions of results of an individual internal audit engagement based upon the procedures performed, relating only to those aspects within the objectives and scope of the engagement.

### **Engagement Work Programme**

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

### **External Service Provider**

A person or firm outside of the organisation that has special knowledge, skill and experience in a particular discipline.

**Fraud**

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

**Governance**

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

**Governance Statement**

The mechanism by which an organisation publicly reports on its governance arrangements each year.

**Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

**Independence**

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

**Information Technology Controls**

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure and people.

**Information Technology Governance**

Consists of the leadership, organisational structures and processes that ensure that the enterprise's information technology supports the organisation's strategies and objectives.

**Internal Audit Activity**

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

**International Professional Practices Framework (IPPF)**

The conceptual framework that organises the authoritative guidance promulgated by the IIA. Authoritative Guidance is comprised of two categories (1) mandatory and (2) endorsed and strongly recommended. Only the mandatory elements apply for the purposes of the Public Sector Internal Audit Standards. The Public Sector Internal Audit Standards take the place of the International Standards where applicable.

**Must**

The Standards use the word must to specify an unconditional requirement.

**Objectivity**

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

### **Overall Opinion**

The overall ratings, conclusions or other descriptions of results provided by the chief audit executive addressing, at a broad level, governance, risk management and control processes of the organisation. An overall opinion is based on the results of a number of individual engagements and other activities for a specific time interval.

### **Risk**

The effect of uncertainty on objectives. An effect is a deviation from the expected and may be positive or negative. Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence.

### **Risk Appetite**

The level of risk that an organisation is willing to accept.

### **Risk Management**

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

### **Senior Management Team**

The highest level of officers with responsibility to direct and oversee the activities and management of the organisation. Typically, this includes a group of directors in the Public Sector formed of at least the Chief Executive, the Monitoring Officer and the s.151 Officer and other operational Directors and is dependent on the structure of the Council.

### **Should**

The Standards use the word should where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

### **Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

### **Standard**

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

### **Technology-based Audit Techniques**

Any automated audit tool, such as generalised audit software, test data generators, computerised audit programmes, specialised audit utilities and computer-assisted audit techniques (CAATs).

## Folkestone &amp; Hythe District Council 2023-27 Internal Audit Plan - Draft

Plan Area	Risk register / Corporate Plan / Service	Year last audited	Previous assurance level	Follow up assurance	2023-24 Planned days	2024-25 Planned days	2025-26 Planned days	2026-27 Planned days
<b>Financial Governance:</b>								
Capital	C4	2018-19	Reasonable	Reasonable	10			
Treasury Management	C4	2019-20	Substantial	Substantial		10		
Car Parking & Enforcement	C4	2022-23	Sub / limited					10
Bank Reconciliation	C4	2020-21	Reasonable	Reasonable		10		
Creditors & CIS	C4	2022/23	Substantial / Reasonable		2	2	2	10
Miscellaneous Grants in and out - Levelling up	C4	New			10			
Insurance	C4	2020-21	Substantial	Substantial			10	
VAT	C4	2018-19	Reasonable	Reasonable		6		
Budgetary Control	C4	2018-19	Substantial	Substantial	10			
Housing Benefits – Overpayments	CP	2021-22	Substantial	Substantial				10
Housing Benefits – Admin & Assessment	CP	2018-19	Substantial	Substantial		10		
Housing Benefits - Quality	CP	2020-21	Substantial	Substantial			10	
Housing Benefits - DHP	CP	2021-22	Substantial	Substantial				10
Housing Benefits Subsidy	CP	2016-17	Substantial	Substantial	10			
Council Tax	CP	2022/23	Substantial			10		10
Council Tax Reduction Scheme	CP	2019-20	Substantial	Substantial		10		
Business Rates	CP	2013-14	Substantial	Substantial	10		10	
Business rates relief	CP	2018-19	Substantial	Substantial		10		

Debtors	C4	2020-21	Reasonable	Reasonable			10	
<b>Social Housing</b>								
Rent Setting, Accounting, Collection and Debt Management	C13	New			10			
Tenancy & Estate Management	C13	New			10			
Responsive Repairs & Maintenance	C13	(22/23)						10
Resident Engagement	C13	2021-22	Reasonable	To do			10	
Void Property Management	C13	2021-22	Reasonable	To do			10	
Leasehold Services	C13	New			10			
Tenants' Health and Safety	C13	(22/23)	Sub / Reasonable	Sub / Reasonable		10		10
Tenancy Fraud	C13	(22/23)						10
Contract Letting / Procurement Process/ Specification of Works	C13	New			10			
Contract Management	C13	2022/23	No			10		10
Sheltered & Supported Housing	C13	New			10			
Pumping Stations	C13	New					7	
Handyman Services	C13	New					7	
Capital Programme, Planned Maintenance	C13	New			10			
Rechargeable Works / Service charges	C13	New			10			
Garage Deposits / Management	C13	2021-22	Reasonable	Sub / Reasonable			10	
Cash Incentive Grants	C13	New				10		
New Build Capital Programme	C13	New			10			
Anti-Social Behaviour	C13	New			10			
Homelessness inc Rent Deposit	CP	2022/23	Reasonable					15
HRA Business Plan	Service	2018-19	Substantial	Substantial			10	
Decent Homes		New				10		

Carbon Reduction, Fuel Poverty & Energy Efficiency	C13	New							10
<b>General Fund Housing</b>									
Private Sector Housing, HMOs	C13	New			10				
Improvement Grants/DFG	CP	2017-18	Substantial	Substantial		10			
Housing Allocations	CP	2019-20	Reasonable	Substantial	10				
Right to Buy	CP	2022/23	Limited	Reasonable					10
<b>Information Governance:</b>									
Data Protection/FOI/Information Management	Service	2018-19	Limited	Reasonable	10			10	
<b>Corporate Governance:</b>									
Members' Code of Conduct and Standards Arrangement	C1	2020-21	Substantial	Substantial					10
Officers' Code of Conduct	C1	2020-21	Reasonable	Reasonable					10
Whistleblowing / Anti Money arrangements	C1	2022/23							9
Local Code of Corporate Governance	C1	2017-18	Substantial	Substantial				10	
Complaints Monitoring	C11	2016-17	Substantial	Substantial				10	
Oportunitas Governance	C1	2019-20	Substantial	Substantial			10		
Otterpool Governance	C3	2019-20	Reasonable	Substantial	10				
Scheme of Officer Delegations	C1	2016-17	Reasonable	Substantial			10		
Corporate/Governance and Audit Committee			N/A	N/A	35	35	35	35	
Financial Procedure Rules	C4	2019-20	Reasonable	Substantial	5				
RIPA		New			4				
Constitution	CP	2019-20	Substantial	Substantial					10
<b>Technology / Cyber</b>									
ICT reviews	C8	2022/23			10			10	
<b>Performance Management:</b>									
Performance Management	C11	2020-21	Reasonable	Reasonable				10	
<b>Fraud</b>									
Fraud assurance	C4	2022-23	Reasonable				10		10

Fraud Arrangements Review	C4	2016-17	Reasonable	Reasonable			10	
<b>Risk Management</b>								
Risk Management	C1	2017-18	Substantial	Substantial		10		
<b>Other</b>								
Liaison with External Auditor			N/A	N/A	1	1	1	1
Previous Year Work in Progress b/fwd			N/A	N/A	20	20	20	20
Follow-up			N/A	N/A	14	14	14	14
<b>Procurement &amp; Contracts:</b>								
Contract Standing Orders	C8	2022/23	Limited					10
E-Procurement inc corporate purchase cards	C8	2021/22	Reasonable	Reasonable			10	
<b>Asset Management</b>								
Asset Management	Service	2018-19	Substantial	Substantial		10		
<b>Service Level</b>								
Cemeteries and Crematorium	C11	2017-18	Reasonable	Reasonable		10		
Child Protection - Safeguarding	C11	2021-22	Reasonable	To do			10	
Climate Change	C15	New	Reasonable		4	2	4	6
Community Safety Partnership	C11	2020-21	Reasonable	To do		10		
Coast Protection / Engineers	Service	2020-21	Reasonable				10	
Corporate Responsive Repairs	Service	2019-20	Reasonable	Reasonable		10		
Dog Warden Enforcement	C11	2019-20	Substantial	Substantial			10	
Electoral Finance	C1	2017-18	Reasonable	Reasonable		10		
Environmental Health - Food Safety / H&S	C11	2016-17	Reasonable	Substantial		10		
Environmental Protection - Pollution / Noise	C11	2017-18	Reasonable	Reasonable	10			
Environmental Health – Public Health Burials	C11	2018-19	Substantial	Substantial		10		
Folkestone Community Works Programme	C12	2021/22	Reasonable	Reasonable	10			
Emergency Out of Hours service	C11	2018-19	Reasonable	Reasonable				10
Emergency Planning / Business Continuity	C11	2016-17	Substantial	Substantial		10		
Employee Health, Safety and Welfare	Service	2017-18	Reasonable	Reasonable	10			

Equality and Diversity	Service	2017-18	Reasonable	Reasonable			10	
Events Management	Service	2018-19	Substantial	Substantial			10	
Grounds Maintenance	Service	2020-21	Reasonable	To do				10
Folkestone Parks & Pleasure Grounds Charity	Service	2020-21	Substantial	N/A				10
Land Charges	CP	2020-21	Reasonable/Ltd	Substantial / Reasonable			10	
Licensing	C4	2019-20	Reasonable/Ltd	Reasonable		10		
Lifeline	Service	2015-16	Reasonable	Reasonable		10		
Members Allowances and Expenses	C1	2018-19 (22/23)	Reasonable	Reasonable				10
Planning Income	C4	2016-17	Reasonable	Reasonable				10
Planning Section 106s / CILS	C4	2020-21	Limited	Reasonable	10			
Building Control Income	Service	2018-19	Reasonable	Reasonable			10	
Property Charges - Industrial Estates	C4	2019-20	Reasonable	Substantial				10
Security of the civic building	Service	2019-20	Reasonable	Reasonable				10
Sports Income	C4	2019-20	Reasonable	Reasonable			10	
Hythe Swimming Pool	Service	2017-18	Reasonable	Reasonable		10		
Taxis	Service	2019-20	Reasonable/Ltd	Reasonable			10	
Waste Management	C8	2019-20	Reasonable/Ltd	Reasonable	15			
Waste Recycling	C8	2022/23	Limited	To do				10
Councillor Grants	C4	2021-22	Reasonable	To do			10	
<b>People Management</b>								
Recruitment/ Leavers	C1	2018-19	Reasonable	Substantial	10			
Flexi / Sick Leave / Annual leave	C1	2016-17	Reasonable	Reasonable		10		
Payroll, SMP and SSP	C1	2020-21	Substantial	N/A	10			
Employee Allowances and Expenses	C1	2019-20	Substantial	Substantial			10	
Employee Benefits-in-Kind	C1	2017-18 (22/23)	Substantial	Substantial		-		10



<b>Total Planned Days</b>					<b>350</b>	<b>350</b>	<b>350</b>	<b>350</b>
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**Reviews outside of 4 year cycle.**

Treasury Management	C4	2019-20	Substantial	Substantial		10		
Insurance	C4	2020-21	Substantial	Substantial			10	
VAT	C4	2018-19	Reasonable	Reasonable		6		
Budgetary Control	C4	2018-19	Substantial	Substantial	10			
Housing Benefits Overpayments	CP	2021-22	Substantial	Substantial				10
Business Rates	CP	2013-14	Substantial	Substantial	10		10	
Business rates relief	CP	2018-19	Substantial	Substantial		10		
Debtors	C4	2020-21	Reasonable	Reasonable			10	
Capital	C4	2018-19	Reasonable	Reasonable	10			
HRA Business Plan	Service	2018-19	Substantial	Substantial			10	
Members' Code of Conduct and Standards Arrangement	C1	2020-21	Substantial	Substantial				10
Officers' Code of Conduct	C1	2020-21	Reasonable	Reasonable				10
Local Code of Corporate Governance	C1	2017-18	Substantial	Substantial			10	
Complaints Monitoring	C11	2016-17	Substantial	Substantial			10	
Oportunitas Governance	C1	2019-20	Substantial	Substantial		10		
Scheme of Officer Delegations	C1	2016-17	Reasonable	Substantial		10		
Constitution	CP	2019-20	Substantial	Substantial				10
Risk Management	C1	2017-18	Substantial	Substantial		10		
Cemeteries and Crematorium	C11	2017-18	Reasonable	Reasonable		10		
Dog Warden Enforcement	C11	2019-20	Substantial	Substantial			10	
Electoral Finance	C1	2017-18	Reasonable	Reasonable		10		
Environmental Health - Food Safety / H&S	C11	2016-17	Reasonable	Substantial		10		
Environmental Protection - Pollution / Noise	C11	2017-18	Reasonable	Reasonable	10			
Environmental Health – Public Health Burials	C11	2018-19	Substantial	Substantial		10		

Emergency Out of Hours	C11	2018-19	Reasonable	Reasonable				10
Emergency Planning / Business Continuity	C11	2016-17	Substantial	Substantial		10		
Employee Health, Safety and Welfare	Service	2017-18	Reasonable	Reasonable	10			
Equality and Diversity	Service	2017-18	Reasonable	Reasonable			10	
Events Management	Service	2018-19	Substantial	Substantial			10	
Grounds Maintenance	Service	2020-21	Reasonable	To do				10
Folkestone Parks & Pleasure Grounds Charity	Service	2020-21	Substantial	N/A				10
Licensing	C4	2019-20	Reasonable/Ltd	Reasonable		10		
Lifeline	Service	2015-16	Reasonable	Reasonable		10		
Building Control Income	Service	2018-19	Reasonable	Reasonable			10	
Property Charges - Industrial Estates	C4	2019-20	Reasonable	Substantial				10
Security of the civic building	Service	2019-20	Reasonable	Reasonable				10
Sports Income	C4	2019-20	Reasonable	Reasonable			10	
Hythe Swimming Pool	Service	2017-18	Reasonable	Reasonable		10		
Taxis	Service	2019-20	Reasonable/Ltd	Reasonable			10	
Flexi / Sick Leave / Annual leave	C1	2016-17	Reasonable	Reasonable		10		
Employee Allowances and Expenses	C1	2019-20	Substantial	Substantial			10	

