

This Report will be made public on 5 March 2024



Report Number **AuG/23/25**

To: Audit and Governance Committee
Date: 13 March 2024
Status: Non-Executive Decision
Corporate Director: Lydia Morrison – Interim Director – Corporate Services (S151)

SUBJECT: DRAFT INTERNAL AUDIT PLAN 2024-25

SUMMARY: This report sets out 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 & 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/23/25.**
- 2. That Members approve (but not direct) the Council's Internal Audit Plan for 2024-25**

1. Introduction and Background.

- 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 Audit & Governance Committee should "review and assess the annual internal audit work plan". The purpose of this report is to help the Committee assess whether the East Kent Audit Partnership has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with the Professional Standards for Internal Auditors.

2. Risk Based Internal Audit Plan.

- 2.1 The Audit Plan for the year 2024 to 2025 is attached as Annex A and has the main components to support the approved Audit Charter. The plan is produced in accordance with professional guidance, including the Public Sector Internal Audit Standards (PSIAS). A draft risk based plan is produced from an audit software database (APACE) maintained by the EKAP which records our risk assessments on each service area based upon previous audit experience, criticality, financial risk, risk of fraud and corruption etc. Amendments have been made following discussions with senior management, taking account of any changes within the Council over the last 12 months, and foreseen changes over the next.
- 2.2 The plan has then been further modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors, and the links to the Council's Corporate Plan and Corporate Risk Register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.
- 2.3 Furthermore, wider risks are considered, by keeping abreast of national issues and advice from the auditing profession / firms. The annual "Risk in Focus" report provides an opportunity to track how risk priorities are developing over time. A number of dominant themes are emerging. Climate change, biodiversity and environmental sustainability has gained in prominence more than any other risk type over the past three years. It is a moving target that organisations will have to make continuous efforts to mitigate for decades to come. This should therefore be considered a "forever risk" that is likely to move up the risk rankings over time. Risks related to business continuity, crisis management and disaster response have been heavily impacted by recent events, and the same is true of health, safety & security, Human capital, diversity and talent management and organisational culture. These latter three have a clear human capital element to them. Organisations have been forced to flex and adapt, protecting their workforces from harm as health risks sharply escalated and hybrid working

evolved. The top five identified risks through 'Risk In Focus' survey have been considered for inclusion in the 2024-25 plan as follows;

1 - Cyber Security & Data Security – retained its long-standing pole position as the top threat. A review of cyber security, given the incident in January 2024, will be undertaken in 2024-25 audit plan. Additional risk areas within ICT identified provision for future reviews.

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 audit plan, including Payroll and Absence Management.

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, Value Added Tax, Procurement & Contracts, Emergency Planning & Business Continuity 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 February 2022 and time has been allocated in the 2024-25 plan for a follow up review, to assess the Council's progress against this agenda.

5 – Supply Chain, Outsourcing and Nth Party Risk - a key area where dynamic, fast-moving interconnected risks – economic headwinds, deglobalisation, physical threats to logistics, climate related weather events and new regulations, make strategic and operational innovation a must. Stress on supply chains will be a constant feature over the next few years, reviews of Procurement & Contract Management and Governance reviews of LATCO's 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;

- 77% Core assurance projects – the main Audit Programme.
- 0% Fraud – fraud awareness, reactive work investigating potential irregularities.
- 3% Corporate Risk – testing the robustness of corporate risk mitigating action and
- 20% Other productive work – corporate meetings, follow up, general advice, liaison.

Total number of audits is 30.

For 2024-25 the days available for carrying out audits are 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 undertake 30 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 Folkestone and Hythe District Council of 350 days. The plan is therefore 37 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 Interim Director - 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 37 days per annum, which at an estimated cost per audit day of £400 would cost £14,800 per annum.

5. RISK MANAGEMENT ISSUES

5.1 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	Medium	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.

6. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 **Legal Officer’s comments (AK)**

No legal officer comments are required for this report.

6.2 **Finance Officer’s Comments (LM)**

Responsibility for the arrangements of the proper administration of the council's financial affairs lies with the Chief Finance Officer (S151). The internal audit

service helps provide assurance as to the adequacy of the arrangements in place.

6.3 **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 comments detailed in the report are the East Kent Audit Partnership's own, except where shown as being management comments.

6.4 **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.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

7.1 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

Lydia Morrison, Interim Director – Corporate Services (S151)

Telephone: 01303 853420 Email: lydia.morrison@folkestone-hythe.gov.uk

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

Internal Audit Annual Plan 2023-24 - Previously presented to and approved at Audit & Governance Committee meetings.

Internal Audit working papers - Held by the East Kent Audit Partnership.

Previous audit strategies – previously presented and approved at Audit & Governance meetings.

Attachments

Annex A - Folkestone & Hythe District Council draft 2024-25 Internal Audit Plan

Plan Area	Risk register / Corporate Plan / Service	Year Last Audited	Previous Assurance Level	Follow Up Assurance	2024-25 Planned days	2025-26 Planned days	2026-27 Planned days	2027-28 Planned days
Financial Governance:								
Capital	C4	2023-24	WIP	-				10
Treasury Management	C4	2019-20	Substantial	Substantial	10			
Car Parking & Enforcement	C4	2022-23	Sub / limited	Sub / Reasonable				10
Bank Reconciliation	C4	2020-21	Reasonable	Reasonable		10		
Creditors	C4	2022-23	Sub / Reasonable	Substantial			8	
Miscellaneous Grants & Levelling Up	C4	New	-	-	10			
Insurance	C4	2020-21	Substantial	Substantial		10		
VAT	C4	2018-19	Reasonable	Reasonable	6			
Budgetary Control	C4	2023-24	Reasonable	To do				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	Substantial		10		10

Council Tax Reduction Scheme	CP	2019-20	Substantial	Substantial	10			
Business Rates	CP	2023-24	WIP	-		10		10
Business Rates Relief	CP	2018-19	Substantial	Substantial	10			
Debtors	C4	2020-21	Reasonable	Reasonable			10	
Corporate Governance:								
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	N/A	N/A			9	
Local Code of Corporate Governance	C1	2017-18	Substantial	Substantial		10		
Complaints Monitoring	C11	2023-24	Reasonable	Substantial			10	
Oportunitas Governance	C1	2019-20	Substantial	Substantial	10			
Otterpool Governance	C3	2023-24	WIP	-	10			
Scheme of Officer Delegations	C1	2016-17	Reasonable	Substantial	10			
New Committee Arrangements	Service	New	-	-		10		
Financial Procedure Rules	C4	2023-24	Reasonable	To do				5
RIPA	Service	2023-24	Reasonable	To do				4
Constitution	CP	2019-20	Substantial	Substantial			10	
Data Protection/ GDPR	Service	2018-19	Limited	Reasonable		10		
Freedom of Information	Service	New	-	-	10			
Performance Management	C11	2020-21	Reasonable	Reasonable		10		
Risk Management	C1	2017-18	Substantial	Substantial	10			
Counter Fraud Assurance								
Fraud Assurance	C4	2022-23	Reasonable	To do		10		10

Fraud Arrangements Review	C4	2016-17	Reasonable	Reasonable			10	
Duplicate Payments Testing	C4	2022-23	Sub / Reasonable	Substantial	2	2	2	2
Tenancy Fraud	C13	2022-23	Limited	To do			10	
People Management								
Recruitment / Leavers	C1	2023-24	WIP	-				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	2022-23	Reasonable / Ltd	To do				10
Asset Management								
Asset Management	Service	2018-19	Substantial	Substantial	10			
Procurement & Contracts:								
Contract Standing Orders	C8	2022-23	Limited	Reasonable			10	
Procurement	C8	New	-	-	10			
E-Procurement incl. Corporate Purchase Cards	C8	2021-22	Reasonable	Reasonable		10		
Cyber Security & Data Assurance								
Network Security	C8	2021-22	Substantial	Substantial	10			
Software Licensing	C8	2021-22	Substantial	Substantial		10		
ICT Physical & Environmental	C8	2021-22	Substantial	Substantial			10	
ICT Change Control / Updates	C8	2021-22	Substantial	Substantial				10
ICT Acquisitions & Disposals	C8	2021-22	Substantial	Substantial				10
Service Assurance - Environmental								

Cemeteries and Crematorium	C11	2017-18	Reasonable	Reasonable	10			
Child Protection - Safeguarding	C11	2021-22	Reasonable	Reasonable				10
Climate Change	C15	2022-23	Reasonable	Reasonable	2	8	2	4
Community Safety Partnership	C11	2020-21	Reasonable	Reasonable		10		
Coast Protection / Engineers	Service	2020-21	Reasonable	Substantial			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	2023-24	WIP					10
Environmental Health – Public Health Burials	C11	2018-19	Substantial	Substantial	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	2023-24	WIP					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	2022-23	Substantial	Substantial			10	
Planning Income	C4	2016-17	Reasonable	Reasonable			10	

Planning Section 106s / CILS	C4	2023-24	WIP					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	2023-24	Reasonable/No	To do				15
Waste Recycling	C8	2022-23	Limited	Reasonable			10	
Councillor Grants	C4	2021-22	Reasonable	To do			10	
Service Assurance – Social Housing								
Rent Setting, Accounting, Collection and Debt Management	C13	2020-21	Substantial	Substantial	10			
Tenancy & Estate Management	C13	2023-24	Reasonable	To do				10
Responsive Repairs & Maintenance	C13	New	-	-		10		
Resident Engagement	C13	2021-22	Reasonable	Reasonable		10		
Void Property Management	C13	2021-22	Reasonable	Reasonable	10			
Leasehold Services	C13	New	-	-		10		
Tenants' Health and Safety	C13	2022-23	Reasonable	To do			10	
Contract Letting / Procurement Process/ Specification of Works	C13	2023-24	WIP	-				10
Contract Management	C13	2022-23	No	Reasonable			10	
Independent Living	C13	2023-24	Reasonable / Limited	To do				10
Pumping Stations	C13	New	-	-			7	

Handyman Services	C13	New	-	-			7	
Capital Programme, Planned Maintenance	C13	2023-24	WIP	-				10
Rechargeable Works / Service charges	C13	New	-	-				10
Garage Deposits / Management	C13	2021-22	Reasonable	To do		10		
Cash Incentive Grants	C13	New	-	-				10
New Build Capital Programme	C13	New	-	-		10		
Anti-Social Behaviour	C13	2023-24	Reasonable	To do				10
HRA Business Plan	Service	2018-19	Substantial	Substantial		10		
Private Sector Housing, HMOs	C13	New	-	-	10			
Improvement Grants/DFG	CP	2017-18	Substantial	Substantial	10			
Homelessness incl. Rent Deposit	CP	2022-23	Reasonable	Reasonable			15	
Housing Allocations	CP	2019-20	Reasonable	Substantial	10			
Right to Buy	CP	2022-23	Limited	Reasonable			10	
Other								
Liaison with External Auditor			N/A	N/A	1	1	1	1
Follow-Up		N/A	N/A	N/A	14	14	14	14
Corporate Advice / CLT		N/A	N/A	N/A	5	5	5	5
S151 Meetings & Support		N/A	N/A	N/A	10	10	10	10
Committee Meetings & Reports		N/A	N/A	N/A	10	10	10	10
Audit Plan Preparation		N/A	N/A	N/A	10	10	10	10
Finalisation of 2023-24 Audits		N/A	N/A	N/A	20	20	20	20
Total Planned Days					350	350	350	350

Reviews outside of 4-year cycle.

Treasury Management	C4	2019-20	Substantial	Substantial	10			
VAT	C4	2018-19	Reasonable	Reasonable	6			
Housing Benefits – Admin & Assessment	CP	2018-19	Substantial	Substantial	10			
Housing Benefits Subsidy	CP	2016-17	Substantial	Substantial	10			
Business rates relief	CP	2018-19	Substantial	Substantial	10			
HRA Business Plan	Service	2018-19	Substantial	Substantial		10		
Local Code of Corporate Governance	C1	2017-18	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			
Asset Management	Service	2018-19	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 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			
Equality and Diversity	Service	2017-18	Reasonable	Reasonable		10		
Events Management	Service	2018-19	Substantial	Substantial		10		
Licensing	C4	2019-20	Reasonable/Ltd	Reasonable	10			

Lifeline	Service	2015-16	Reasonable	Reasonable		10		
Planning Income	C4	2016-17	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	