

This Report will be made public on 24 February 2021



Report Number **AuG/20/16**

**To:** Audit and Governance Committee  
**Date:** 4 March 2021  
**Status:** Non-Executive Decision  
**Corporate Director:** Charlotte Spendley – Director – Corporate Services (S151)

**SUBJECT: DRAFT INTERNAL AUDIT PLAN 2021-22**

**SUMMARY:** This report includes 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/20/16.**
- 2. That Members approve (but not direct) the Council's Internal Audit Plan for 2021/22.**

## 1. **Introduction and Background.**

- 1.1 The purpose of the Council's Audit and 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.

## 2.0 **2021/22 Risk Based Internal Audit Plan.**

- 2.1 The Audit Plan for the year 2021 to 2022 is attached as Annex A and has the main components to support the approved Audit Charter. The plan is produced in accordance with professional guidance, including the Public Sector Internal Audit Standards (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 Head of Paid Service, Directors, and Heads of Service and links to the Council's Corporate Plan and Corporate Risk Register. This methodology ensures that audit resources are targeted to the areas where the work of Internal Audit will be most effective in improving internal controls, the efficiency of service delivery and to facilitate the effective management of identified risks.
- 2.3 Furthermore, wider risks are considered, by keeping abreast of national issues and advice from the auditing profession / firms. Over the last year, incidents of money laundering, sexual misconduct at the workplace, fraud, cyberattacks, and data privacy scandals grabbed news headlines, and provided a reminder of why effective governance, risk management, and compliance are so important. For this year we have considered the inclusion of the top ten Institute of Internal Audit identified risks;

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

cash wisely and cut costs where necessary. The longer-term impact of these risks is recognised in the Corporate Risk Register and through its financial modelling and MTPF.

- 5 **Workforce Risk** – The Council through its HR function also faces the challenge of creating safe working environments and ensuring the wellbeing of workers in the face of potential coronavirus resurgences and the psychological impact months of isolation may have had. Diversity is another key human capital risk that organisations need to be conscious of. The Black Lives Matter movement has put social equality at the centre of public debate and organisations will need to ensure that their hiring and pay policies are fair, representative and do not unintentionally or unconsciously bias against particular demographics.
- 6 **Disaster & Crisis Management Risks** - One of the biggest lessons to take from 2020 is the importance of crisis preparedness including the resilience and adaptability of the Council. Whilst there are business continuity plans (BCPs) in place, these are more likely to have accounted for short-lived events like power or network outages, earthquakes and data breaches. The pandemic has set a new precedent in crisis management by showing the extensive and simultaneous impact that global events can have. BCPs must address operational resiliency by identifying and stress testing key processes and assets including the availability of employees and continuity of supply chains to deliver services. Emergency Planning & Business Continuity are in the plan.
- 7 **Third Party Risk** – the non-performance of contractors and suppliers is always a risk to the Council, just about everything we do today has some level of third-party involvement, whether we are aware of it or not. The Council should be aware of weaknesses, pressure points and potential bottlenecks in its supply chains, and be able to evidence that supplier/ contractor insolvency risk is being sufficiently managed. We have also considered risks of third parties gaining access to sensitive data, we are proposing reviews of Contract Management in the 21-22 plan.
- 8 **Fraud, Bribery and Financial Crime Risk**– Exploitation of operational and economic disruption is an ongoing risk assessed in every area of activity that the Council undertakes. There is an increased risk in ploys to capitalise on the pandemic including grant fraud and money laundering. Additionally, the effectiveness of the control environment may have been weakened by the transition to remote working and reduced or limited access to parts of the business and its resources. We have given due consideration in assessing the Counter Fraud Framework within which the Council operates, there is a cross cutting review of Counter Fraud proposed, and there is consideration within each planned review.
- 9 **Climate Change Risk**- organisations are facing a broad range of risks, based in a rapidly changing and evolving area it has been identified as potentially being the next Global Crisis; new rules and legislation are to be anticipated, weaving climate change elements into relevant key risk areas and this is included in the 21/22 plan.

10 **Conduct & Culture Risks** – this risk is an emerging area for assurance, only 30% of bodies have audited this despite honesty and personal conduct being behind several big national (sector wide) headlines. Reviews that we have typically carried out in this area include Gifts and Hospitality, Anti-fraud & Corruption, Whistleblowing, Ethics and compliance with Codes of Conduct. We will keep a watching brief on developments for future consideration, noting that all of our work contributes to the assurances given in the Annual Governance Statement.

2.4 There are insufficient audit resources to review all areas of activity each year. Consequently, the plan is based upon a formal risk assessment that seeks to ensure that all areas of the Council's operations are reviewed within a strategic cycle of audits. In order to provide Members with assurance that internal audit resources are sufficient to give effective coverage across all areas of the Authority's operations, a strategic plan has been included.

2.5 To comply with the best practice, the agreed audit plan should cover a fixed period of no more than one year. Members are therefore being asked to approve the 2021/22 plan at the present time, and the future years are shown as indicative plans only, to provide Members with assurance that internal audit resources are sufficient to provide effective coverage across all areas of the Authority's operations within a rolling cycle.

2.6 The plan has been prepared in consultation with the Directors and the Council's statutory s.151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2021/22 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require to be able to place assurance on the annual governance statement.

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

- 83% Core Assurance Projects- the main Audit Programme
  - 3% Fraud Work – fraud awareness, reactive work and investigating potential irregularities
  - 0% Corporate Risk – testing the robustness of corporate risk mitigating action
  - 14% Other Productive Work – Corporate meetings, follow up, general advice, liaison
- Total number of audits 29.

For 2021/22 the days available for 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 all of the high risk areas and all of the medium risk areas this equates to 29 audits.

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

3.1 Members should have regard to how audit resources within the Council compare to other similar organisations when considering the adequacy and effectiveness of the internal audit plan. The results of benchmarking show that the average number of internal audit days provided by district councils within Kent is circa 400 days annum. The audit plan of Folkestone & Hythe District Council of 350 days. The Folkestone & Hythe plan is therefore 12.5% less well-resourced than the Kent average.

### 4.0 **Head of Internal Audit Opinion of the 2021/22 Internal Audit Plan.**

4.1 This report is presented to Members by the Council's Director (Corporate Resources) whose s.151 responsibility it is to maintain an effective internal audit plan. In the interests of openness and transparency and in order to enable Members to make an informed decision on the internal audit plan presented for their approval consideration should also be given to the opinion of the Head of Internal Audit on the effectiveness of the plan.

4.2 It is the professional opinion of the Head of the East Kent Audit Partnership that the draft 2021/22 internal plan presented for Members consideration 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. The Head of the East Kent Audit Partnership recommends that Members approve the 2021/22 internal audit plan as drafted.

## 5. **RISK MANAGEMENT ISSUES**

5.1 A summary of the perceived risks follows:

<b>Perceived risk</b>	<b>Seriousness</b>	<b>Likelihood</b>	<b>Preventative action</b>
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.
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## 6. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

### 6.1 Legal Officer's comments (DK)

No legal officer comments are required for this report.

### 6.2 Finance Officer's Comments (TM)

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. However none of the recommendations made have any specific relevance.

## 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](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)

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

Internal Audit Annual Plan 2020/21 - 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 2021/22 Internal Audit Plan



Plan Area	Risk register / Corporate Plan / Service	Year last audited	Previous assurance level	Follow up assurance	2021-22 Planned days	2022-23 Planned days	2023-24 Planned days	2024-25 Planned days
<b>Financial Governance:</b>								
Treasury Management	C4	2019-20	Substantial	Substantial			10	
Car Parking & Enforcement	C4	2018-19	Reasonable	Reasonable		10		
Bank Reconciliation	C4	2020-21	Reasonable					10
Creditors & CIS	C4	2018-19	Substantial	Substantial		10		
Miscellaneous Income	C4	2016-17	Reasonable	Reasonable		10		
Insurance	C4	2020-21	Substantial					10
VAT	C4	2018-19	Reasonable	Reasonable			10	
Budgetary Control	C4	2018-19	Substantial	Substantial			10	
Housing Benefits – Overpayments	CP	2017-18	Substantial	Substantial	10			
Housing Benefits – Admin & Assessment	CP	2018-19	Substantial	Substantial		10		
Housing Benefits - Quality	CP	2020-21	Substantial					10
Housing Benefits - DHP	CP	2017-18	Substantial	Substantial	10			
Housing Benefits Subsidy	CP	2016-17	Substantial	Substantial	10			
Council Tax	CP	2018-19	Substantial	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					10
<b>Technology / Cyber:</b>								
ICT reviews	C8	2017-18 (2020)	Reasonable	Reasonable	10		10	
<b>Capital:</b>								
Capital	C4	2018-19	Reasonable	Reasonable		10		
<b>Housing Systems:</b>								
Rent Setting, Accounting, Collection and Debt Management	C13	New			10			
Tenancy & Estate Management	C13	New					10	
Responsive Repairs & Maintenance including contract variations	C13	New				15		10
Resident Engagement	C13	New			10			

Plan Area	Risk register / Corporate Plan / Service	Year last audited	Previous assurance level	Follow up assurance	2021-22 Planned days	2022-23 Planned days	2023-24 Planned days	2024-25 Planned days
Void Property Management	C13	New			10			
Leasehold Services	C13	New				10		
Tenants' Health and Safety (Gas, Fire, Electric, Lifts, Legionella, Asbestos)	C13	New			10	5	10	5
Tenancy Fraud	C13	New						10
Contract Letting / Procurement Process/ Specification of Works	C13	New					10	
Contract Management	C13	New			10			
Sheltered & Supported Housing (Inc Hostels)	C13	New				10		
Pumping Stations	C13	New						5
Handyman Services	C13	New						5
Data Integrity Post Handover	C13	New			10			
Capital Programme, Planned Maintenance	C13	New				10		
Rechargeable Works / Service charges	C13	New					10	
Garage Deposits / Management	C13	New			10			
Cash Incentive Grants	C13	New					10	
New Build Capital Programme	C13	New				10		
Carbon Reduction, Fuel Poverty & Energy efficiency Programmes	C13	New					10	
Improvement Plan \Housing Regulator	C13	New			10			
Private Sector Housing, HMOs	C13	New						10
Improvement Grants/DFG	CP	2017-18	Substantial	Substantial		10		
Anti-Social Behaviour	C13	New					10	
Homelessness inc rent deposit	CP	2013-14(2020)	Reasonable	Substantial	-			15
Housing Allocations	CP	2019-20	Reasonable	Substantial				10
Right to Buy	CP	2016-17	Reasonable	Substantial	10			-
HRA Business Plan	Service	2018-19	Substantial	Substantial		10		
Partnership working	C13	New					10	
White paper	C13	New				10		
New Single IT system	C13	New					10	

Plan Area	Risk register / Corporate Plan / Service	Year last audited	Previous assurance level	Follow up assurance	2021-22 Planned days	2022-23 Planned days	2023-24 Planned days	2024-25 Planned days
<b>Information Governance:</b>								
Data Protection/FOI/Information Management	Service	2018-19	Limited		10		10	
<b>Corporate Governance:</b>								
Members' Code of Conduct and Standards Arrangement	C1	2020-21	Substantial					10
Officers' Code of Conduct	C1	2015-16	Reasonable	Reasonable				10
Whistleblowing / Anti Money arrangements	C1	2020-21	Reasonable					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	-	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			10	
Transformation Governance	C8	2019	Reasonable				10	
Constitution	CP	2019-20	Substantial	Substantial				10
<b>Performance Management:</b>								
Performance Management	C11	2020-21	Reasonable	Reasonable				10
<b>Fraud</b>								
Fraud assurance	C4	2018	N/A	N/A			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	10	10	10	10
Follow-up			N/A	N/A	14	14	14	15
<b>Procurement &amp; Contracts:</b>								
Contract Standing Orders	C8	2020-21	Reasonable	-				10
E-Procurement inc corporate purchase cards	C8	2015-16	Substantial	Substantial	10			

Plan Area	Risk register / Corporate Plan / Service	Year last audited	Previous assurance level	Follow up assurance	2021-22 Planned days	2022-23 Planned days	2023-24 Planned days	2024-25 Planned days
<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	2017-18	Reasonable	Reasonable	10			
Climate Change	C15	New	New		10			
Community Safety Partnership	C11	2014-15 (2020)	Reasonable	Reasonable				10
Coast Protection / Engineers	Service	2015-16	Reasonable	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	New			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	2015/16 (2020)	Reasonable	Reasonable				10
Folkestone Parks & Pleasure Grounds Charity	Service	New			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	Reasonable	Reasonable		10		
Planning Income	C4	2016-17	Reasonable	Reasonable	10			

Plan Area	Risk register / Corporate Plan / Service	Year last audited	Previous assurance level	Follow up assurance	2021-22 Planned days	2022-23 Planned days	2023-24 Planned days	2024-25 Planned days
Planning Section 106s / CILS	C4	S 106s 2013-14 (2020)	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		10		
Waste Recycling	C8	2016-17	Reasonable /Ltd	Reasonable	10			
Councillor Grants	C4	2017-18	Reasonable	Reasonable	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	2018-19 (2020)	Substantial	Substantial				10
Employee Allowances and Expenses	C1	2019-20	Substantial	Substantial				10
Employee benefits-in-kind	C1	2017-18	Substantial	Substantial		10		
<b>Total Planned Days</b>					<b>350</b>	<b>350</b>	<b>350</b>	<b>350</b>