

MID KENT AUDIT

**Internal Audit & Assurance
Plan 2022/23**

Ashford Borough Council

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Introduction

1. This risk-based internal Audit Plan for 2022/23 provides adequate coverage to enable an annual Head of Audit Opinion to be made at the end of the financial year.
2. Planning during a period of uncertainty and change is problematic. It is therefore important that this Audit Plan has the flexibility to adapt and adopt to the changes as they develop during the forthcoming financial year.

Risk Assessments

3. The Public Sector Internal Audit Standards direct that audit planning is built upon a risk assessment. This assessment must consider internal and external risks, including those relevant to the sector or global risk issues. This Plan for 2022/23 represents the current views now, but it will be necessary to continue to reflect and consider the audit response as risks and priorities change across the year. A specific update report will be provided to Members midway through the year.

Global and Sector Risks

4. In considering global and sector risks the risk assessment draws on various sources such as the IIA and CIPFA.
5. This year will continue to be another challenging year for Local Government in terms of funding, managing additional recruitment and technological advancement, which in turn may impact on the adequacy and effectiveness of the governance, risk and control framework of the Council. A number of key areas which require consideration when planning the internal audit coverage are set out below. These areas cut across many of the activities carried out by the Council. These areas are not a full listing, nor are they in any priority order. Indeed many are not mutually exclusive of each other.

“Multi-channel” customer engagement: Partly as a result of COVID-19 but also as process changes through improved technology, councils will need to embrace cutting edge technology. Adopting a multi-channel approach to customer engagement will enable council services to be more readily available, more accessible and more transparent.

Commercialisation: Councils are being driven towards being more self-sufficient and cost effective, with pressure to close funding gaps and rebalance budgets. Councils will already be operating in different financial and more commercial environments which have been tested by the business disruption associated with the COVID Pandemic.

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Cyber Security: As more services move on-line, risks and vulnerabilities are likely to increase. Cyber security is as much about awareness and behaviours as it is about network security. Resilience needs to be regularly and stringently stress tested across the organisation to ensure it is operating effectively.

Financial Viability: As the UK emerges from the clutches of the pandemic and some degree of normality returns Councils will be faced with the reality of unbalanced medium term financial plans without including significant potential savings. Realisation of these savings could be challenging and if not achieved at the outset will fail to provide the funds needed to ensure a balanced budget.

Staff Wellbeing: COVID-19 has led to mental health declines, increased work demands and feelings of loneliness due to remote working. Staff turnover is at an all-time high. Managing the wellbeing and associated risks is crucial to ensure a stable workforce.

Climate Change: Councils are taking action to reduce their own carbon emissions and working with partners and local communities to tackle the impact of climate change on their local area.

Inflation: The forecast rises in inflation after a long period of stability is likely to impact upon term contracts as well as budget management.

Council specific Audit Risk Review

6. This risk review incorporates two elements. The first element is the service's relative materiality to the Council's overall objectives and controls. The assessment includes consideration of:



Finance Risk: The value of funds flowing through the service.



Priority Risk: The strategic importance of the service in delivering Council priorities.



Support Service Risk: The extent of interdependencies between Council departments.

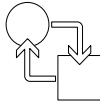
7. The Council's external auditor was requested to advise if there were any areas that internal audit should include in the Audit Plan, and it was confirmed that there were no such areas.
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8. The second element considers the reputational aspects of a failure of the effective operation of the internal control arrangements. The assessment includes consideration of:



Oversight Risk: Considering where other agencies regulate or inspect the service.



Change Risk: Considering the extent of change the service faces or has recently experienced.



Audit Knowledge: Considering the outcomes not just the last internal audit review, but any other information that has been gathered from, for example, following up agreed actions.



Fraud Risk: Considering the susceptibility of the service to fraud loss.

Audit Risk Prioritisation

9. The results of these various risk assessments provide a provisional Audit Plan. The provisional Plan is consulted on with the Managers, Heads of Service and Corporate Leadership Team to get their perspective on the audit assessment and from this the Risk Based Audit Plan for the financial year is produced.

Risk Based Audit: 320 Days

10. The primary part of Audit Plan is delivering risk based audit engagements. The list below is in alphabetical and does not imply any ranking within the group or intended delivery order. The timings for the individual reviews will be agreed with a suitable officer sponsor once the Plan has been approved.
11. The Audit Plan has been prepared in advance of the appointment of the substantive Head of Audit for MKA. The new Head of Audit may wish to propose changes to the audit coverage and so may review the Plan will after their appointment. Any proposed changes and the rationale for such changes will be communicated to Senior Management Teams and Audit Committee Members.

High Priority Engagements

12. These are the **18** engagements that require to be undertaken to support a robust opinion at year end.
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High Priority Engagement Title & Draft Objectives

1. Accounts Payable

To review a range of invoices are supported by a valid PO and / or are appropriately authorised, are only for goods and services for the Council, paid within 30 days, changes to supplier details are checked and actioned promptly and reconciliation between the AP system and the GL are completed regularly.

2. Accounts Receivable

To review the income received to establish that invoices are raised correctly, promptly and VAT is accounted for where applicable and amounts received are allocated to the correct account. To review the journals from the income suspense account to ensure they are supported by evidence and are allocated to the correct account. That reconciliations between AR and the GL are completed regularly.

3. Treasury and Banking

To review the new processes brought in around banking during Covid to ensure they are robust. To include a review of the contract to provide the Council with advice.

5. Development Management

To review how major and minor planning applications are allocated and managed.

6. Leisure Services

To review the management of the Leisure Services Contracts.

7. Temporary Accommodation

To review the controls around allocation of temporary and / emergency accommodation to ensure process and value for money is achieved.

8. Payroll and HR systems

To review implementation to payroll and HR systems to ensure separation of duties and data security.

9. Recruitment Framework (including Port Health)

To review the recruitment framework, including Port Health to ensure that procedures are followed.

10. IT Backup and Recovery BCP and Test Runs

To review the BCP for IT Bank up and Recovery Plan for major systems.

11. PFI - Management - Stanhope Estate

To review the monitoring framework of the PFI.

12. Data Breaches

To review how the Council deals with data breaches and training provided.

13. Port Health - Border Controls (Imports)

To review the port health controls around border controls (imports). Scope to be agreed.

14. Port Health - Business Continuity Plans (BCP)

To review the port health's BCP and DRP to ensure they are up to date, achievable, inclusive and where applicable, tested.

15. Port Health - Online Payments System

To review the online payments systems for security and accessibility.

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High Priority Engagement Title & Draft Objectives

16. Newtown - Ashford International Studios Programme

To review the programme / project management for Newtown.

17. Elwick Road Programme

To review the programme / project management for Elwick Road Programme.

18. Contract Management

To review the contract management around a selection of contracts from the register.

Follow-up of Agreed Actions: 25 days

13. Time has been allocated to following up the actions arising from internal audit recommendations made and reporting the results to Senior Officers and Members.

Consultancy & Member Support: 52 days

14. A consultancy allocation provides general and specific extra advice or training to the Council. This allocation also provides support to Members, through attendance at and reporting to Committees. This fund also provides a contingency to avoid having to cut short engagements and allow full exploration of significant findings.

Risk Management & Counter Fraud Support: 3 days

15. This time provides for liaison with the Council's in-house teams.

Planning: 20 days

16. This time is allocated to complete the major part of the annual planning exercise, including updating risk assessments and consultation across the Council. The time is also used for identification of risks and issues across the Council, the wider public sector and the audit profession. This ensures the Audit Plan can remain dynamic and responsive to risk through the year.

Resourcing the Audit Plan

17. MKA is currently going through a period of significant staffing change. A number of senior posts are currently filled on an interim basis and it is likely to be November 2022 at the earliest before all the substantive posts are filled.
 18. MKA also have access to sources of specialist expertise through framework agreements with audit firms, which includes access to subject matter experts.
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19. The overall resource level is therefore based on the current audit team establishment and the chargeability for each grade. This calculation produces an available number of days across the four Councils to which MKA provides the internal audit service of 1,740 days.
 20. Each Council receives a share in keeping with their contribution to the overall partnership budget. The Collaboration Agreement is planned to be subject to a comprehensive review during 2022/23. Based on the current Agreement Ashford's 2022/23 Audit Plan has **420 days** to assign. This includes time to complete work carried forward from 2021/22.
 21. MKA has the skills and expertise to deliver the 2022/23 Audit Plan and it is confirmed that planned audit work will enable a Head of Audit opinion for 2022/23 to be delivered in Spring 2023.
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