

## **AUDIT COMMITTEE**

**17 MARCH 2022**

### **INTERNAL AUDIT PLAN (Q1-Q2) 2022-23**

Report from: James Larkin, Head of Audit & Counter Fraud Shared Service  
(Chief Audit Executive)

#### Summary

This report presents for approval the Internal Audit Plan (Q1-Q2) 2022-23.

#### 1. Budget and policy framework

1.1. Council delegates responsibility for the oversight and monitoring of the effectiveness of the Internal Audit & Counter Fraud Shared Service to the Audit Committee.

#### 2. Background

2.1. The Public Sector Internal Audit Standards (Standards) require that: The Chief Audit Executive (CAE) must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. A risk-based plan has been prepared for the authority to meet this requirement. Since 1 March 2016 the council's internal audit activity has been delivered by the Audit & Counter Fraud Shared Service with Medway Council.

#### 3. Internal Audit Plan 2022-23

2.2. The plan for 2022-23 has been prepared in line with the requirements of the Standards and is based on a risk assessment of all auditable areas within the council, which considers six factors that are detailed below, and each has its own weighting score:

- Inherent risk (weighting 7)
- Control risk (weighting 10)
- Reputational risk (weighting 5)
- Financial risk (weighting 7)
- Fraud risk (weighting 7)
- Priority risk (based on Council Plan objectives) (weighting 5)

- 2.3. Each risk factor is scored on a range of one to five, which is then multiplied by the weighting to produce a total score for the assessment. The scores for each factor are based on a number of considerations, including (but not limited to):
- A review of the council's priorities as set out in the Council Plan,
  - A review of the council's key risks as set out in the Corporate Risk Register,
  - Horizon scanning to identify local and national issues and risks,
  - Performance against KPI's,
  - Consultation with senior management to identify what services consider to be their key areas of risk in the coming 12 months,
  - The results of previous internal audit work (including follow up work) and other sources of assurance to the council.
- 2.4. The highest scoring areas are added to the plan to ensure that Internal Audit resources are directed to the council's highest areas of risk but this also considers when the area was last reviewed by Internal Audit and also that there is good coverage of all areas of the council to contribute to the overall assurance opinion.
- 2.5. Although a plan is drafted for the full year based on resources predicted to be available, given that the risk assessment is completed in January, there is a high probability that changes occurring in the year could result in changes to the risk landscape that need to be addressed. As such the plan being presented for approval is only for the first six months of the financial year.
- 2.6. In July, the resource budget and risk assessment detailed above will be reviewed to take account of any changes and updated accordingly. This will then inform the plan for the remainder of the year, which will be presented to the Finance & Audit Committee for approval in September 2022, along with the first progress update.
- 2.7. The purpose of this approach is to ensure that the resource continues to be focused on the highest areas of risk throughout the year, and also create some flexibility to allow the Internal Audit Team to be more responsive.
- 2.8. Members will also note that there are some changes in the information included in the plan, including that the day allocation for individual reviews is no longer specified. Each review has been given an indicative budget of 15 days as part of the planning process, but the formal budget will be set as part of the process to agree the Terms of Reference for each review. We will continue to report on the budgeted days and days used in each review as part of the periodic update reports.
- 2.9. The column specifying the link to the corporate risk register has been added in response to a recommendation from the last external quality assessment, to further demonstrate that the Internal Audit resource is focused on the council's risk areas.

2.10. The plan for Q1-Q2 of 2022-23 is presented at Appendix 1.

#### 4. Risk management

4.1. The Public Sector Internal Audit Standards require that: The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Internal Audit Plan is intended to ensure that the work of the team is effectively directed and is in line with the organisation's goals. Member approval of the plan ensures the status of the plan is maintained.

#### 5. Financial implications

5.1. An adequate and effective Internal Audit function provides the council with assurance on the proper, economic, efficient, and effective use of council resources in delivery of services.

#### 6. Legal implications

6.1. The Accounts & Audit Regulations 2015 require local authorities to: 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 Section 151 Officer of a local authority is responsible for establishing the internal audit service. Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council to deliver internal audit services through the Shared Service to both authorities.

#### 7. Recommendation

7.1 The Committee is requested to approve the Internal Audit Plan (Q1-Q2) 2022-23 presented at Appendix 1.

#### Lead officer contact

James Larkin, Head of Internal Audit and Counter Fraud Shared Service  
[james.larkin@medway.gov.uk](mailto:james.larkin@medway.gov.uk)

#### Appendices

Appendix 1 – Internal Audit Plan (Q1-Q2) 2022-23

#### Background papers

None