

Audit Committee

20 March 2025

Internal Audit Plan (Q1-Q2) 2025-26

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Summary

This report presents for approval the Internal Plan (Q1-Q2) 2025-26.

1. Recommendations

- 1.1. The Committee is recommended to approve the Internal Audit Plan (Q1-Q2) 2025-26 presented at Appendix 1.

2. Budget and policy framework

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

3. Background

- 3.1. From 1 April 2025, the current Public Sector Internal Audit Standards (PSIAS) will be replaced, and the council's internal audit function will instead need to be delivered in accordance with the Institute of Internal Auditor's (IIA) Global Internal Audit Standards, as well as the requirements of the Application Note: Global Internal Audit Standards in the UK Public Sector.
- 3.2. The Global Internal Audit Standards ('the Standards') require that the Chief Audit Executive creates, at least annually, an Internal Audit Plan that supports the achievement of the organisation's objectives. The Internal Audit Plan must be based on a documented assessment of the organisation's strategies, objectives and risks and must be informed by input from senior management and the Finance & Audit Committee, as well as the Chief Audit Executive's understanding of the organisation's governance, risk management and control processes. In particular, the Internal Audit Plan must:
 - Consider the internal audit function's mandate and the full range of agreed-to internal audit services as documented in the Internal Audit Charter.
 - Specify internal audit services that support the evaluation and improvement of the organisation's governance, risk management, and control processes.
 - Consider coverage of information technology governance, fraud risk, the effectiveness of the organisation's compliance and ethics programs, and other high-risk areas.
 - Identify the necessary human, financial, and technological resources necessary to complete the Plan.

- Be dynamic and updated timely in response to changes in the organisation's business, risks operations, programs, systems, controls, and organisational culture.

3.3. The Standards also require that the Chief Audit Executive discusses the Internal Audit Plan with senior management and the Audit Committee, and state that the Internal Audit Plan must be approved by the Audit Committee.

4. Internal Audit Plan (Q1-Q2) 2025-26

4.1. The Internal Audit Plan for Q1-Q2 of 2025-26 has been prepared in line with the requirements of the Standards and is presented at Appendix 1 for Members' review and approval.

4.2. The Internal Audit Plan has been created based on a risk assessment of all auditable areas within the council, which considers the six factors detailed below.

- Inherent risk
- Control risk
- Reputational risk
- Financial risk
- Fraud risk
- Priority risk (based on Corporate Plan objectives)

4.3. The scores for each factor are based on a number of considerations, including (but not limited to):

- A review of the council's objectives as set out in the One Medway Council Plan,
- A review of the council's key risks as set out in the Corporate Risk Register,
- A review of the council's financial plans and budgets,
- Consultation with Divisional Management Teams on service priorities and risks,
- Horizon scanning to identify local and national issues and risks,
- The results of previous internal audit work (including follow up work) and other sources of assurance to the council, and,
- Knowledge of the council's governance, risk management and control process.

4.4. The highest scoring areas are considered for inclusion in the Internal Audit Plan, to ensure that the internal audit function's resources are directed to the council's highest areas of risk. Although, this is also balanced against when the area was last reviewed and whether there is good coverage of areas across the council, to contribute to the Chief Audit Executive's annual opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

4.5. While a plan has been drafted for the full year based on the resources predicted to be available, given the risk assessment was completed in January, there is a high probability that changes occurring in-year will affect the council's risk landscape. As such, the Internal Audit Plan being presented for approval is only for the first six months of the financial year.

4.6. 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

Internal Audit Plan for the remainder of the year, which will be presented to the Audit Committee for approval in September 2025.

4.7. The risk numbers from the Corporate Risk Register 2024-25 are detailed below for reference:

- SR03B - Insufficient budget funding
- SR09A - Meeting the needs of Older People and Working Age Adults
- SR09B - Failure to meet the needs of children and young people
- SR17 - Delivering regeneration
- SR32 - Data and information
- SR35 - Homelessness
- SR36A - Medway Development Company Ltd
- SR37 - Cyber Security
- SR39 - Failure to Deliver the High Needs Budget Recovery Plan
- SR46 - Medway's Economic Recovery
- SR47 - Climate Change
- SR53 - MedPay review
- SR54 - Recruitment and Retention
- SR55 - Lack of national funding to remedy problems following school condition surveys
- SR56 - Children's Social Care Budget Pressure
- SR57 - Adult Social Care Budget Pressure
- SR58 – Gun Wharf Building Closure

5. Risk management

- 5.1. Creation and approval of an Internal Audit Plan is a requirement of the Global Internal Audit Standards, which are widely recognised as the 'public sector internal auditing standards or guidance' referenced in the Accounts & Audit Regulations 2015, which must be taken into account when undertaking an effective internal audit to evaluate the effectiveness of risk management, control and governance processes.
- 5.2. The Internal Audit Plan identifies the internal audit services that are anticipated to be provided over a given period, to help improve the effectiveness of the council's risk management, control, and governance processes, and fulfil the internal audit function's purpose and mandate, as detailed in the Internal Audit Charter.

6. Climate change implications

- 6.1. There are no climate change implications in this report.

7. Financial implications

- 7.1. 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. The budgeted costs for 2024/25 for the audit element of the shared service is £504,000 with Medway's share of these costs being £323,000. The Round 3 revenue budget monitoring projected an underspend on the shared service as a whole of £58,000.

8. Legal implications

- 8.1. 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 function.

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Appendices

Appendix 1 – Internal Audit Plan (Q1-Q2) 2025-26.

Background papers

None