

By: Jonathan Idle – Head of Internal Audit

To: Governance and Audit Committee – 6 July 2023

Subject: **INTERNAL AUDIT PLAN 2023/24 + AUDIT CHARTER**

Classification: Unrestricted

Summary: This report details the proposed Internal Audit Plan for 2023/24; the Internal Audit Charter, which underpins the plans and practice of the Internal Audit team and the key performance indicators to be tracked and monitored during 2023/24.

Recommendation: FOR DECISION

Introduction

- The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit service to produce a risk-based audit plan. This paper sets out the proposed 2023/24 Internal Audit Plan (Plan), including a summary of the available resources.
- The 2023/24 Plan will be a rolling 6-month plan, to allow more flexibility to incorporate changing and emerging risks into the Plan, replacing the previous fixed annualised audit planning approach.
- This paper sets out the following:
 - The priority audits for July – December 2023. These Audits have been prioritised using our risk-based assessment and evaluation methodology, following the criteria detailed below.
 - Some further Priority 2 audits to be considered for the latter part of 2023/24. The Priority 1 audits have been assessed as ‘must do’s’ and Priority 2 audits have been assessed as ‘could do’s’. The significance and priority of all potential audits identified within the audit planning process, will be continually risk assessed throughout the year.
 - The Internal Audit Charter. The Charter is a mandatory requirement of the Public Sector Internal Audit Standards, which should be reviewed and updated periodically. The Charter sets out the purpose, authority and responsibility of Internal Audit.
 - The key performance indicators to track and monitor audit plan delivery and service performance during 2023/24.

2023-24 Internal Audit Plan

- The Public Sector Internal Audit Standards (PSIAS) stipulates the need for the development of an Audit Plan.
- To enable the Internal Audit service to be more flexible and adaptive to changing priorities and emerging risks, the Plan for 2023/24 will be a 6-month rolling Plan. This dynamic approach will ensure optimum value to the Council and stakeholders and more effective deployment of audit resources.
- The Plan will be reviewed every 3 months by completing an assessment of all potential audits identified against the following criteria:

- Significance** How important is the activity to the Council in achieving its objectives, key plans and managing its risks?
- Sensitivity** How much interest would there be if things went wrong and what would be the reputational impact?
- Time** When is the best time for the audit to be completed?

- The quarterly review will also consider an evaluation of relevant business intelligence to identify new priorities / emerging risks and potential audit areas.
- Another key consideration when reviewing and updating the Plan throughout the year, will be to ensure there continues to be sufficient coverage of the 8 themes of Corporate Health, which are utilised to ensure there is sufficient coverage for the Head of Internal Audit’s Annual Opinion in July 2024.
- Any amendments to the Plan will be reported to the Governance and Audit Committee.
- The Plan for 2023/24 is attached at **Appendix A**. This includes 73 audits, which are spread across the Directorates as follows:

Directorate	Number of Audits
Cross-Directorate	5
Adult Social Care & Health	13
Chief Executive Directorate	19
Children, Young People and Education	8
Deputy Chief Executive	17
Growth, Environment & Transport	11
Total Audits	73

- The Priority 2 audits will be considered for coverage between January – May 2024.

- The Plan has been developed through a risk-based planning process, including the following elements:
 - A review of the corporate and division risk registers and discussion with the Corporate Risk Manager.
 - Discussions with Corporate Directors, Directors and Heads of Service.
 - Attendance at Directorate Management Team meetings.
 - Horizon scanning to identify emerging risks and issues.
 - A review of audits deferred from the 2022/23 Plan.
 - Undertaking an assessment to determine the required coverage needed for the Head of Internal Audit's Annual Opinion for 2023/24.
 - A review of the Council's Annual Governance Statement.
 - A review of previous cyclical / core audit work.
 - Identification of audit reviews to be followed up.
 - Consideration of other sources of assurance.

- The Plan includes some audits with specific scope areas where this has already been identified and some audits where scope is still to be determined.

- The Plan does not detail the number of days to be assigned to the individual audits, but it does illustrate the total days / resources available.

- **Appendix A** sets out how the audits listed on the Plan map to the Reasonable Assurance – 8 Themes of Corporate Health.

- **Appendix A** sets out how the audits listed on the Plan mapped to KCC's Corporate Risks.

- In addition to the projects listed on the Plan, we also have **80** days set aside for grant certification work.

- The outcomes from the 2023/24 Plan will provide the following:
 - Overall opinion and assurance to support the 2023/24 Annual Governance Statement.
 - Assurance against the mitigation of key corporate risks.
 - Assurance over the critical systems of the Council.
 - On-going advice and information to management on risks and controls.
 - Opportunities to provide management with value for money support and advice.

- Excluded from Appendix A are detailed plans for:
 - Internal Audit coverage of Commercial Services Group
 - Income generating and shared service work with Tonbridge and Malling Borough Council, Kent and Medway Fire and Rescue Service, Parish Councils and audits of selected grants.

Resources

- Based on the current Team resources, the total days available for 2023/24 is **2127** days.
- The number of audit days available for the KCC 2023/24 Audit Plan is estimated to be **1,200**.
- A summary of the overall Audit Plan is illustrated below:

2023/24 KCC Audit Plan	Days
KCC	1200
Sub-Total	1200
External Clients	
Commercial Services Group, KFRS & TMBC	641
Central Government Grants	50
Interreg Grants	30
Parish Councils	50
Sub-Total	771
Total	1971

- Based on the current staffing levels and assumptions, there is sufficient resource to deliver the 2023/24 Audit Plan. However, some further recruitment activity is planned during 2023/24 to provide greater resilience within the team.

Internal Audit Charter

- It is a requirement of the Public Sector Internal Audit Standards (the Standards) that the purpose, authority and responsibility of Internal Audit is formally defined in an Internal Audit Charter and that this be periodically reviewed and presented for approval to senior management and the Board (defined as the Audit Committee in the Local Government Application Note by CIPFA). The Charter, which is attached at **Appendix A** has been reviewed to ensure it remains fit for purpose to support delivery of the 2023/24 Plan and is compliant with the Standards. No amendments have been made to the Charter previously submitted in April 2022.

Key Performance Indicators

- **Appendix A** sets out the Key Performance Indicators (KPI's) to be tracked and monitored during 2023/24. The updated KPI's reflect an ongoing trend to increasing outcome-based monitoring of the Internal Audit service.

Conclusions

- The Plan provides sufficient coverage of the Council's current and emerging risks and priorities, with sufficient flexibility to add further reviews onto the plan as needed. There will be sufficient resources to deliver the proposed Plan.

Recommendations

- Members are asked to:
 - Agree the proposed Internal Audit Plan for 2023/24
 - Note Priority 2 audits to be considered for the remainder of 2023/24
 - Approve the Internal Audit Charter
 - Note the Key Performance Indicators for 2023/24

Appendices:

Appendix A – 2023/24 Audit Plan + Audit Charter

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