



Three Rivers District Council  
Audit Committee  
28 March 2023

2023/24 Internal Audit Plan Report

Item 8

Recommendation

Members are recommended to approve the proposed 2023/24 Three Rivers District Council and Shared Services Internal Audit Plans

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# 1. Introduction and Background

- 1.1 The mission of Internal Audit is “to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The Public Sector Internal Audit Standards (PSIAS) encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). These Standards note that a professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.2 The SIAS Board has approved the SIAS Internal Audit Strategy in March 2023 and this strategy outlines how SIAS will achieve the mission of Internal Audit and ensure ongoing compliance with the PSIAS. The following report follows the key principles within the Strategy related to Audit Planning and Resourcing, with the Strategy document itself being available to Members upon request.
- 1.3 The PSIAS set out how we must approach audit planning. The specific standards that we must adhere to are as follows:

Standard	Description
2010	A risk-based plan, setting out audit priorities consistent with the goals of the organisation.
2010	Linked to annual opinion need and internal audit Charter
2010.A1	Based on documented risk assessment, updated at least yearly and consulting Senior Management and Members
2010.A2	Reflect expectations of Senior Management, Members and other stakeholders
2020	Communicated to Senior Management for review and to Members for approval
2030	Ensure internal audit’s resources are fit and effectively used
2030	Must explain how resource adequacy assessed, and set out results of any limits

- 1.4 The Council’s Internal Audit Plans set out the programme of internal audit work for the year ahead, and forms part of the Council’s wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Chief Audit Executive’s Annual Opinion Report.
- 1.5 The Shared Internal Audit Service’s (SIAS) Audit Charter, which is presented to the Committee annually, shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United

Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the July 2023 Audit Committee meeting for Member approval.

- 1.6 Section 2 of this report details how SIAS complies with these requirements.

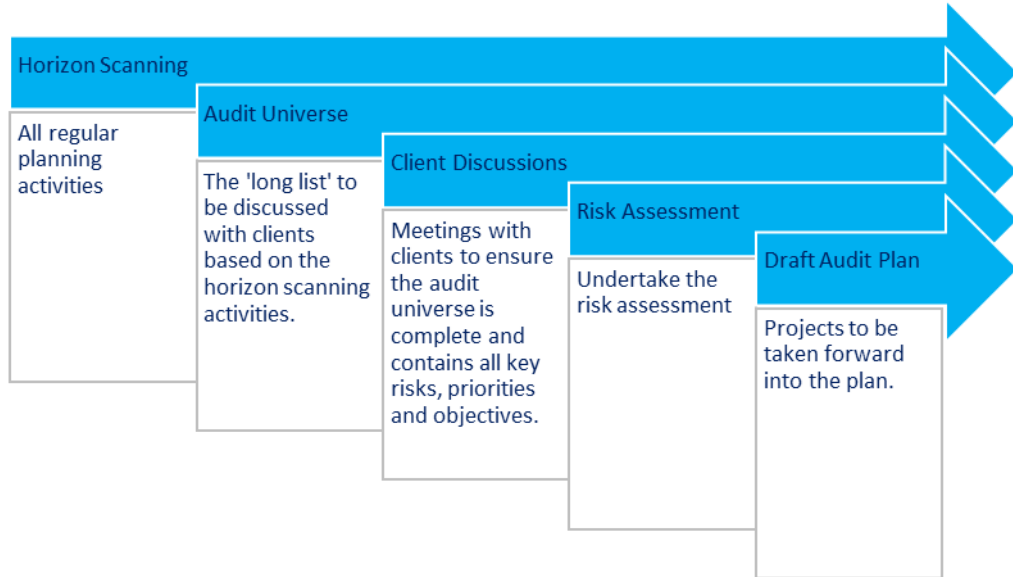
## 2. Audit Planning Process

### **Planning Principles**

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the Council's key issues and controls, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
  - b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
  - c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
  - d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
  - e) Identification of responsibilities where services are delivered in partnership.
  - f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
  - g) Capacity to deliver key commitments including governance work.
  - h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

## Approach to Planning

- 2.2 SIAS has developed an approach to annual planning that ensures ongoing compliance with the requirements of the PSIAS, SIAS applies the following methodology at its partners:



## Horizon Scanning and Audit Universe

- 2.3 SIAS conducts horizon scanning to ensure that it is aware of the key issues and risks locally and nationally as well as the corporate and service objectives of the Council. To do this, SIAS undertakes the following activities:



- 2.4 Following the horizon scanning work, SIAS creates an Audit Universe based on all auditable areas and entities. The Audit Universe forms the basis of discussions with Senior Managers.

#### Client Discussions

- 2.5 SIAS undertook detailed discussions with senior managers and other key officers within the Council during January and February 2023, to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following steps to assist in the prioritisation of proposed internal audit projects:

#### *Risk Assessment*

Senior managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this accordingly.

#### *Other sources of Assurance*

Senior managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. external audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

#### *Significance*

Senior Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

#### *Timings*

Senior managers identify when an audit should be undertaken to add most value.

#### Risk Assessment

- 2.6 The overarching risk that SIAS bases planning against is the risk that audit work completed does not provide sufficient coverage and significance for SIAS to provide a robust annual assurance opinion. Therefore, SIAS risk assesses each auditable area to ensure that their resources are directed appropriately.
- 2.7 The risk assessment behind the development of the 2023/24 Internal Audit Plan was strongly correlated to the Council's plans and associated Council monitoring through risk assessments, KPI's and project progress.
- 2.8 SIAS also include considerations of financial materiality, corporate significance, vulnerability and change and management concerns, as part of the risk assessment, including alternative sources of assurance through the Three Lines (of Defence) model.

## Draft Audit Plan

- 2.9 The results of the risk assessment and discussions with Senior Mangers provides draft Internal Audit Plans. SIAS has presented these draft plans to the Corporate Management Team on 7 March 2023 and to Governance Group on 15 March 2023 to seek their views on the assessments completed and to provide any further updates or comments. The outcome is now presented to Members as part of this report for their approval of the Draft Internal Audit Plans for 2023/24.

## The Planning Context

- 2.10 The context within which local authorities provide their services remains challenging:
- The longer-term impacts of the pandemic continue to emerge and there are ongoing challenges and risks relating to economic growth, public health and equality for local authorities.
  - The result of the changes to trading with EU based companies will have an impact on Council services with additional risks needing to be considered that include compliance with customs rules, continuity of supply / services and workforce pressures related to the right to work in the UK.
  - Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact, including rising interest rates and inflation, increased salary levels, rising material and construction costs, the potential reduction in business rates and recruitment and retention challenges, on their local economies and services and any direct investments of their own.
  - Demand continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
  - Cyber security (ransomware and malware) remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful attacks recently. Continued vigilance and awareness remain key to protecting the information assets of local authorities.
  - Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.

- Major national programmes in areas like changes to the retention of business rates, public health and housing mean the overall financial environment remains relatively unstable.
- There have been high profile governance issues relating to, conflicts of interest, probity, and procurement, at both national and local levels creating a culture of mistrust in all tiers of government.
- Local authorities are facing significant challenges in relation to talent management, both in terms of recruitment and retaining staff meaning ability to remain resilient and deliver high quality services may become a concern in short term.
- As Council's continue to promote hybrid working arrangements as an option for some staff, there is need to review how these may impact on governance and internal control arrangements, ensuring that these adapt accordingly.
- The increasing cost of living pressures on staff and communities increase the importance of maintaining strong internal control environments for key financial systems to reduce the risk of internal or external fraud.
- Many local authorities have declared a Climate and Ecological Emergency in the past couple of years and made commitments to become Net Zero. Whilst the pandemic has distracted some from this priority, it cannot be ignored and is now a greater challenge to maintain focus and deliver the necessary carbon reductions.

2.11 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.12 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.
- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new



insights over sampling or ‘continuous assurance’ where appropriate.

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

### **2023/24 Internal Audit Plans**

2.13 The draft 2023/24 audit plans are included at Appendix A and B and contain a high-level proposed outline scope for each audit. Appendix C details the indicative start months. The total number of days purchased in 2023/24 covering the Three Rivers District Council, Watford Borough Council and Shared Services audit plans has reduced from 362 days to 346 days. The table below shows the estimated allocation of the total annual number of purchased audit days for the year for the Three Rivers District Council and Shared Services audit plans.

	<b>TRDC Internal Audit Plan Days</b>	<b>Shared Services Internal Audit Plan Days</b>	<b>Total Internal Audit Plan Days</b>
Key Financial Systems	0	54	54
Operational audits	69	12	81
Grant Certifications	4	0	4
Procurement / Contract Management	8	0	8
Risk & Governance	0	0	0
IT Audits	0	30	30
Contingency	0	0	0
Recommendation Follow Ups	8	0	8
Strategic Support*	26	0	26
2022/23 Projects Requiring Completion	5	4	9
<b>Total Internal Audit Days 2023/24</b>	<b>120</b>	<b>100</b>	<b>220</b>

\* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2024/25.

- 2.14 Members will note the inclusion of a provision for the completion of projects that relate to 2022/23. The structure of Internal Audit’s programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.15 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Chief Audit Executive to

give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

### Resources

- 2.16 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.
- 2.17 Achievement of our role and objectives is predicated on the matching of audit needs to available resources through our work allocation processes. This is accomplished through the delivery of internal audit activities by a range of suitably qualified and experienced team members working flexibly in a matrix structure to maximise the value to all our partners and clients. SIAS resources are calculated based on the chargeability of each member of the team and the structure was designed to ensure sufficient chargeability to deliver all plans.
- 2.18 SIAS will utilise our internal audit delivery partner to provide service resilience and access to specialist skills not currently available within the service, or which are not economically viable to recruit and retain on a permanent basis.
- 2.19 SIAS staff are provided training and development across the year to support service delivery at our partners. In addition, SIAS provides funding for professional qualifications and currently has four team members studying towards their professional qualifications.
- 2.20 The service will be adequately resourced to deliver the number of planned internal audit days commissioned by Three Rivers District Council. There are currently no limitations on the adequacy of resources in place to deliver the Three Rivers District Council and Shared Services Internal Audit Plans 2023/24.

## 3. Performance Management

### Update Reporting

- 3.1 SIAS is required to report its work to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. Progress against the agreed internal audit plan for 2023/24 and any proposed changes will be reported to this Committee four times in 2023/24.

- 3.2 SIAS will report on the implementation of agreed audit recommendations as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators are reviewed annually by the SIAS Board and details of the 2023/24 targets are shown below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting Frequency
<b>1. Public Sector Internal Audit Standards</b> – the service conforms with the standards	Yes	Annually
<b>2. Internal Audit Annual Plan Report</b> – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet	Yes	Annually
<b>3. Annual Internal Audit Plan Delivery</b> – the percentage of the Annual Internal Audit Plan delivered	95%	Quarterly
<b>4. Project Delivery</b> – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	Quarterly
<b>5. Client Satisfaction*</b> – percentage of client satisfaction questionnaires returned at ‘satisfactory overall’ level (minimum of 39/65 overall)	TBC*	TBC*
<b>6. Chief Audit Executive’s Annual Assurance Opinion and Report</b> – presented at the first Audit Committee meeting of the financial year	Yes	Annually

\*The approach for obtaining client feedback is currently being reviewed, therefore this indicator will be added, if it remains relevant, upon completion of this exercise. In the meantime, SIAS continues to send customer satisfaction questionnaires to lead officers at the conclusion of each audit, with any issues identified discussed with the client to support continuous learning and development of the service.

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Three Rivers District Council Draft 2023/24 Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>FINANCIAL SYSTEMS</b>			
	See Shared Services Internal Audit Plan		
<b>OPERATIONAL AUDITS</b>			
Safeguarding	Review of the Council's role in promoting the welfare of children and vulnerable adults and protecting them from harm. To include policy statements, training, record keeping, referrals to stakeholders / the police / partners.	10	Q1
Taxi Licensing	Review of the processing and issue of taxi licence applications.	10	Q2
Watersmeet Theatre	Review of bar income and licensee conditions.	8	Q2
Performance Management / Data Quality	Review of the Council's performance management systems, including data quality and reporting.	15	Q2
Property Services	Time allocated for a further targeted review of the new Asset Management system. Coverage to be determined in-year.	10	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Temporary Accommodation	Review of temporary accommodation, including whether debt is recovered in full and in a timely manner and that placements are made in a robust manner.	8	Q3
Emergency Planning	Review of the Council's emergency planning arrangements.	8	Q4
<b>GRANT CLAIM CERTIFICATIONS</b>			
Miscellaneous Grants	To certify any grant claims required during the year.	4	As required
<b>PROCUREMENT</b>			
Procurement of Play Areas / small outdoor leisure facilities	Review of the play areas / small outdoor leisure facilities procurement exercise, including sharing of lessons learnt and areas of good practice and whether expected outcomes have been achieved.	8	Q3
<b>RISK MANAGEMENT AND GOVERNANCE</b>			
	No audits identified.		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>IT AUDITS</b>			
	See Shared Services Internal Audit Plan.		
<b>CONTINGENCY</b>			
<b>FOLLOW-UP OF AUDIT RECOMMENDATIONS</b>			
Follow-up of audit recommendations	Obtaining quarterly updates on the status of internal audit recommendations from action owners and reporting outcomes to Audit Committee.	8	Quarterly
<b>STRATEGIC SUPPORT</b>			
Head of Assurance Opinion 2022/23	To prepare and agree the Head of Assurance Audit Opinion for 2022/23.	3	Q1
Audit Committee	To provide services linked to the preparation of Audit Committee reports and presentation of reports / participation at Audit Committee.	8	Quarterly

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Monitoring and Client Meetings	To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.	7	Through year
2024/25 Internal Audit Planning	To provide services in relation to preparation and agreement of the 2024/25 Internal Audit Plan in conjunction with senior officers of the Council.	5	Q4
SIAS Development	Included to reflect the Council's contribution (as with all partners) to developing the partnership.	3	Q1
<b>2022/23 PROJECTS REQUIRING COMPLETION</b>			
2022/23 Projects to be completed	Time for completion of 2022/23 audits carried forward into 2023/24 (any unused time will be reallocated).	5	Q1
<b>TOTAL DAYS – THREE RIVERS DISTRICT COUNCIL 2023/24 INTERNAL AUDIT PLAN</b>		<b>120</b>	



**Reserve List**

<b><u>Title</u></b>	<b><u>Purpose</u></b>
Third Sector Commissioning	Review of the third sector commissioning arrangements.
Playschemes	Review of bookings, income and risk assessments related to the playscheme operation.
Land Charges	Review of the operation of the land charges service.
DFGs	Review of the Council's role in disabled facilities grant applications.

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Watford Borough Council and Three Rivers District Council  
Shared Services Draft 2023/24 Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
<b>KEY FINANCIAL SYSTEMS</b>			
Main Accounting – Assurance Mapping	Mapping the various sources of assurance, the associated control framework and identifying any gaps. Areas may include journals, virements, accounting codes and key account reconciliations.	12	Q2
Debt Recovery	Review of debt recovery systems and processes to ensure adequate controls are in place to recover outstanding debts owed to the Councils. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance over those aspects of these systems. Testing will cover the 2022/23 financial year.	12	Q2
Benefits	Review of the Housing Benefit and Council Tax Support schemes to confirm that controls are adequate and effective. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance over those aspects of these systems. Testing will cover the 2022/23 financial year.	10	Q3
Payroll	Review of the Payroll system to confirm that controls are adequate and effective. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance over those aspects of these systems. Testing will cover the 2022/23 financial year.	10	Q3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
Key Financial Controls Testing	A targeted review of selected financial controls, using data analytics and other tools to provide whole population testing. Specific areas to be determined at the audit planning stage.	10	Q3
<b>OPERATIONAL AUDITS</b>			
Agency Staffing	Review of the monitoring of agency staff spend levels and off-contract spend, agency staff employment rights and recruitment and selection checks and processes.	12	Q2
<b>IT AUDITS</b>			
IT Operations	Review of elements of the IT service against agreed procedures and practices. Scope to be determined at the audit planning stage but will include both third party arrangements and internal elements of the IT service.	15	Q1
Cyber Security	Review of the design and operation of cyber security strategies and arrangements to manage the risk of a cyber-attack.	15	Q4
<b>CONTINGENCY</b>			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
Contingency	No initial budget set.	0	
<b>2022/23 PROJECTS TO BE COMPLETED</b>			
2022/23 Projects to be completed	Time for completion of 2022/23 audits carried forward into 2023/24 (any unused time will be reallocated).	4	Q1
<b>TOTAL DAYS – WATFORD &amp; THREE RIVERS SHARED SERVICES 2023/24 INTERNAL AUDIT PLAN</b>		<b>100</b>	

**INTERNAL AUDIT START DATES AGREED WITH MANAGEMENT**

**APPENDIX C**

<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>
Safeguarding		IT Operations (shared services plan)	Agency Staffing (shared services plan)	Main Accounting – Assurance Mapping (shared services plan)	Debt Recovery (shared services plan)
			Taxi Licensing	Watersmeet Theatre	Performance Management / Data Quality

<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>
Key Financial Controls Testing (shared services plan)	Benefits (shared services plan)	Payroll (shared services plan)	Cyber Security (shared services plan)		
Property	Temporary Accommodation	Procurement of Play Areas / Playing Fields	Emergency Planning		

The above is an indicative spread of audits and is subject to change. Significant changes will be brought to the attention of the Audit Committee.