

THREE RIVERS DISTRICT COUNCIL

AUDIT COMMITTEE

21 MARCH 2024

INTERNAL AUDIT PLAN 2024/25

**RECOMMENDATION:
MEMBERS ARE RECOMMENDED TO APPROVE THE
PROPOSED THREE RIVERS DISTRICT COUNCIL AND THE
WATFORD & THREE RIVERS SHARED SERVICES
INTERNAL AUDIT PLANS FOR 2024/25**

Contents

1. Introduction and Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.10 Planning Context
- 2.13 Internal Audit Plan 2024/25

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

- A Proposed Three Rivers District Council Internal Audit Plan 2024/25
- B Proposed Three Rivers District Council and Watford Borough Council Shared Services Internal Audit Plan 2024/25
- C Proposed 2024/25 Audit Start Dates

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 reviewed the SIAS Internal Audit Strategy in 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 Whilst the above strategy is ideally reviewed on an annual basis, the International Internal Audit Standards Board has recently completed a major project to update the mandatory guidance of the International Professional Practices Framework. The Standards Board released the Global Internal Audit Standards, the IPPF's main component, on 9 January 2024 which will replace the 2017 International Standards for the Professional Practice of Internal Auditing, effective from 9 January 2025. The 2017 Standards remain in effect during the 12-month transition period. Internal audit functions are required to adopt the new Global Internal Audit Standards by 9 January 2025.
- 1.4 Upon completion of SIAS’s review of how current practice and processes will need to be adapted to meet the standards a revised Internal Audit Strategy will be presented to the Committee for information.
- 1.5 The PSIAS set out how SIAS must approach audit planning. The specific standards that SIAS 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

- 1.6 The Council’s Internal Audit Plan sets 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.

- 1.7 The Shared Internal Audit Service's (SIAS) Audit Charter was presented to the May 2023 meeting of this Committee, and it 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 first Audit Committee meeting in the 2024/25 financial year for Member approval.
- 1.8 Section 2 of this report details how SIAS complies with these requirements.

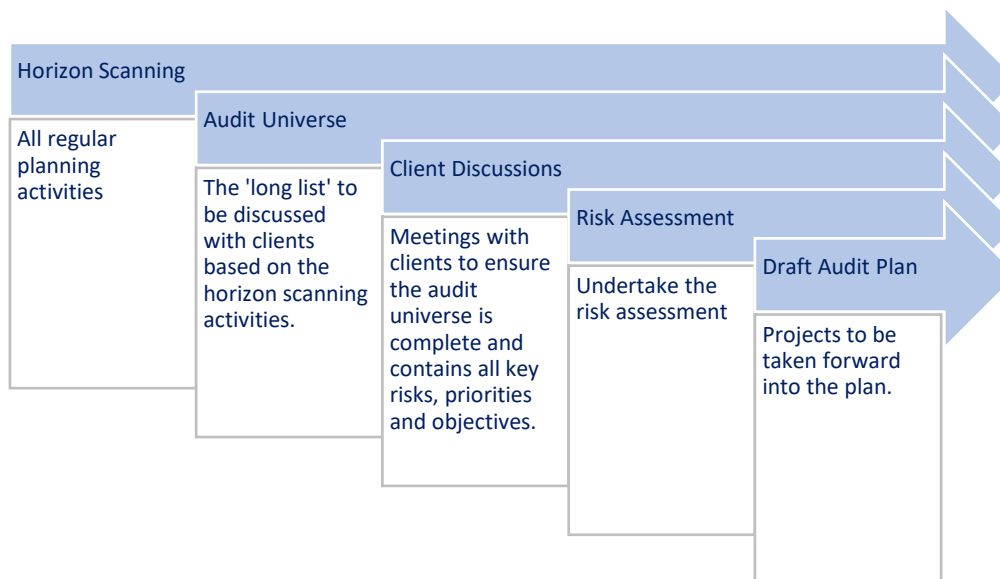
2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
 - a) Focus of assurance effort on the Council's 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 to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the gathering of information to inform the risk assessment phase of audit planning.

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 2024/25 Internal Audit Plan was correlated to the Council's plans and associated 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 discussions with senior managers provides a draft Internal Audit Plan. SIAS has presented the draft plans to the Governance Group 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 2024/25.

The Planning Context

- 2.10 The context within which local authorities provide their services remains challenging:
- Demand for services is still rising, driven a range of factors including the growing and ageing population, and challenges in the healthcare system. Combined with the cost of living, local authorities will have to continue to be more innovative and commercially minded.
 - Macro-economic uncertainty continues, driven by factors such as inflation, interest rates, energy costs and a range of geo-political tensions. Resulting cost pressures and government funding make financial planning a key component of local government finance.
 - Cyber and data security remains a consistent threat to organisations and there are a growing number of local authorities that have been subjected to successful cyber-attacks. Continued vigilance and risk management remain key to protecting local authority assets and services.

- 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 continue to be an increasing concern.
 - Many local authorities have declared a Climate & Ecological Emergency and made public commitments relating to carbon reduction and becoming Net Zero.
- 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, this is particularly key given the current challenges and risks and the impact this has had on audit activity.

Internal Audit Plan 2024/25

- 2.13 The draft internal audit plans for 2024/25 are included at Appendix A & B and contain a high-level proposed outline scope for each audit; Appendix C details the likely start months.
- 2.14 The table shows the estimated allocation of the total annual number of commissioned audit days for 2024/25.

	TRDC Audit Plan Days	Shared Services Audit Plan Days	Total Audit Plan Days	% Of Total Days By Category
Key Financial Systems	0	52	52	25
Operational Services	56	0	56	26
IT Audits	0	33	33	16
Corporate Services / Themes	16	0	16	8
Carry forward work 2023/24	5	5	10	5
Contingency and other	0	3	3	1
Follow Up of Audit Recommendations	8	0	8	4
Strategic Support*	31	0	31	15
Total allocated days	116	93	209	100%

* This includes supporting the Audit Committee, monitoring delivery of the internal audit plan, SIAS service development and implementing the new Global Internal Audit Standards

- 2.15 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for noting through the usual plan update reporting cycle.
- 2.16 Members will note the inclusion of a provision for the completion of projects that relate to 2023/24. 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 demands on their time, e.g. year-end closure procedures.
- 2.17 Members should also note provision for implementing the updated Global Internal Audit Standards during 2024/25. The new Standards will address key aspects of internal auditing such as:
- Purpose of Internal Auditing e.g. what internal audit is and how it should operate.
 - Ethics and Professionalism e.g. conduct and professional performance.
 - Governing the Internal Audit Function e.g. direction and responsibilities for audit committees and senior leaders.
 - Managing the Internal Audit Function e.g. principles for planning, resourcing, and performance.
 - Performing Internal Audit Services e.g. conducting day to day internal audit work.

Changes which have a bearing on the role of Audit Committee Members will be highlighted once the Standards impacts have been fully assessed.

- 2.18 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 Council’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 Director of Finance.

Global Internal Audit Standards

- 2.19 The new Global Internal Audit Standards were released by the International Internal Audit Standards Board on 9 January 2024. Internal Audit providers are required to comply with these revised standards by 9 January 2025. The audit plan therefore includes a provision of time to review how the new standards may impact on our existing approach and practices and progress an action plan to make any required changes to ensure conformance. The above is critical to ensure that SIAS can maintain a ‘generally conforms’ rating in our next external quality assessment, due in 2026.

Assurance Mapping

- 2.20 The audit plan also includes a provision of time to take forward assurance mapping with the Council. An assurance map is a structured means of identifying and mapping the main sources and types of assurance in an organisation across the four lines of defence and coordinating them to best effect. The four lines of defence model can be seen in the table below.

Level	Explanation
First Line	Management establishes structures to manage risks which include the top-level policies of the organisation, control frameworks and controls and management supervisory processes.
Second Line	Exercises such as control risk self-assessment, risk and compliance reviews and Board or Committee supervisory processes. These tend to be operated or overseen by specialists within the organisation who are more separate from line management, which increases the level of confidence in the assurance.

Level	Explanation
Third Line	The third line often only comprises internal auditors, The third line is the most separate internal line of defence from line management, which further increases the level of confidence in the assurance.
Fourth Line	The fourth line comprises external assurers, the most significant of which is often the external auditor. The fourth line is independent of the organisation itself, with external assurers being required to comply with the Code of Ethics.

- 2.21 It is anticipated that if successfully achieved this will ensure that future audit plans and the Chief Audit Executive's Annual Opinion can more easily consider other assurance that is available and any gaps that may exist, this avoiding duplication and allowing a more rounded annual audit opinion and plan. Such an approach will also provide the Senior Management, Audit Committee, and external regulators with improved information on assurance available to demonstrate how the Council manage and oversee key risks.

Resources

- 2.22 The Standard 2030 requires SIAS to consider our resources, how these will be effectively used and any limitations of the adequacy of resources.
- 2.23 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.
- 2.24 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.
- 2.25 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 team members studying towards their professional qualifications.

- 2.26 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 2024/25.

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 plan for 2024/25 and any proposed changes will be reported to this Committee four times in the 2024/25 civic year.
- 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 were approved at the SIAS Board and are reviewed annually by the Board. Details of the targets set for 2024/25 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target	Reporting
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	Update Report
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31st March 2025	90%	Update Report
3. Planned Projects – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	Update Report
4. Client Satisfaction - percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	Update Report
5. Number of High and Critical Priority Audit Recommendations agreed as a percentage	95%	Update Report
6. Annual Plan – prepared in time to present to the last Audit Committee meeting of the financial	Yes	Annual

year. If there is no meeting, then the Plan should be prepared for the first meeting of the financial year

7. Chief Audit Executive's Annual Assurance

Opinion and Report – presented at the first Audit Committee meeting of the financial year

Yes

Annual

APPENDIX A – PROPOSED THREE RIVERS DISTRICT COUNCIL INTERNAL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF OPERATIONAL SERVICES		
Democratic Services	To provide assurance over risks linked to the operation of Committee Services.	8
Disabled Facilities Improvement	To provide assurance on the process for monitoring validity of works to be undertaken and contract monitoring.	8
Public Health Funerals	To provide assurance over the management of public health funerals and associated deceased property / financial interests.	8
Homelessness	To provide assurance that appropriate arrangements are in place for the provision of accommodation to homeless clients and preventative measures are adequate.	8
Asset Management System – including Garages Follow Up.	To provide assurance over the implementation of the Asset Management System and income collection with regard to garages.	8
Parks, Open Spaces and Woodlands Management Plans	To provide assurance that the site management plans are realistic, fit for purpose and followed up.	8
Community Safety	Community Safety - to provide assurance over community safety policies, procedures, and partnerships.	8
COVERAGE OF CORPORATE SERVICES/THEMES		
SARs, EIRs and FOI requests.	To provide assurance that data requests are actioned efficiently and effectively.	10
Embedded Project Assurance	Provision for real time contributions to nominated key projects during 2024/25.	6
STRATEGIC SUPPORT		
Chief Audit Executive Opinion 2023/24	To prepare and agree the Chief Audit Executive Internal Audit Opinion and Annual Report for 2023/24.	3

APPENDIX A – PROPOSED THREE RIVERS DISTRICT COUNCIL INTERNAL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
Follow Up of Audit Recommendations	Follow up of all outstanding internal audit recommendations with outcomes reported to Audit Committee.	8
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee.	8
Client Liaison & Plan Monitoring	Meetings and updates with the Council's Audit Champion and other key officers and to produce and monitor performance and billing information, work allocation and scheduling.	7
SIAS Development and Global Internal Audit Standards implementation	Included to reflect the Council's contribution to developing and maintaining the shared service / partnership through its service planning activity and assurance mapping objectives (5 days) and a provision for implementing the new Global Internal Audit Standards (3 days).	8
2025/26 Audit Planning	To provide services in relation to preparation and agreement of the 2025/26 Audit Plan.	5
2023/24 Projects Requiring Completion	Additional time, if required, for the completion of 2023/24 audit work carried forward into the 2024/25 year. Unused days will be returned to contingency and re-allocated.	5
TOTAL		116
Reserve list: <ul style="list-style-type: none"> • Complaints - to provide assurance that the complaints system is operating effectively. • CIL Collection – To provide assurance over the collection of the CIL and debt management. • Parking – To provide assurance over the collection, receipt and banking of parking money (excluding PCNs and enforcement). • Development Management – To provide assurance that the Council has an appropriate control environment in place governing the timely processing of planning applications and that an appropriate application decision making process is in place. 		

APPENDIX B – PROPOSED WATFORD & THREE RIVERS SHARED SERVICES INTERNAL AUDIT PLAN 2024/25

Audit	Proposed Outline Scope	Proposed Days
COVERAGE OF KEY FINANCIAL SYSTEMS		
Council Tax	To provide assurance over risks linked to bandings, discounts and exemptions, billing, recovery and write-offs.	10
Business Rates	To provide assurance over risks linked to rateable values, voids and reliefs, billing, recovery and write-offs.	10
Finance	Review of Finance systems to confirm that controls are adequate and are effective. Scope to be agreed with management and may involve a detailed review of a restricted number of areas to provide additional assurance and / or the further rollout of the Control Risk Assessment methodology as utilised in the 2023/24 Main Accounting audit.	20
Payroll	To provide assurance over risks linked to starters, leavers, payments to third parties e.g. HMRC, payroll runs and BACS payments.	12
OPERATIONAL SERVICES		
	No audits identified.	0
INFORMATION TECHNOLOGY		
IT Project Management	To provide assurance on preparation and approval of business cases, prioritisation of projects, delivery methods and arrangements for post implementation review.	10
Service Desk Contract Management	To provide assurance on the operation of the outsourced service desk arrangements.	8
Cyber Security	To provide assurance that cyber security strategies and arrangements are appropriately designed and operated to manage the risk of a cyber-attack.	15

**APPENDIX B – PROPOSED WATFORD & THREE RIVERS SHARED SERVICES INTERNAL AUDIT PLAN
2024/25**

Audit	Proposed Outline Scope	Proposed Days
CONTINGENCY		
Contingency	To provide for adequate response to risks emerging during the financial year.	3
STRATEGIC SUPPORT		
2023/24 Projects Requiring Completion	Additional time, if required, for the completion of 2023/24 audit work carried forward into 2024/25. Unused days will be returned to contingency and re-allocated.	5
TOTAL		93
Reserve list: - IT Strategy and Delivery Plan (likely 2025/26 audit)		

APPENDIX C – 2024/25 AUDIT START DATES

Apr	May	Jun	July	Aug	Sept
Disabled Facilities Improvement	Embedded Project Assurance	Asset Management Systems - Garages	Homelessness	Public Health Funerals	Finance – scope to be determined (shared services plan)
Parks, Open Spaces and Woodlands Management Plans	Service Desk Contract Management (shared services plan)				Business Rates (shared services plan)

Oct	Nov	Dec	Jan	Feb	Mar
Democratic Services (to move to December if there is a general election)	Council Tax (shared services plan)	Payroll (shared services plan)	Cyber Security (shared services plan)	IT Project Management (shared services plan)	
			SARs, EIRs and FOI requests	Community Safety	

The above is an indicative spread of audits and is subject to change. Any changes to the audit plan agreed with management will be brought to the Audit Committee for approval.