



Three Rivers District Council  
Audit Committee  
29 March 2022

2022/23 Internal Audit Plan Report

Recommendation

Members are recommended to approve the  
proposed Three Rivers District Council and Shared  
Services 2022/23 Internal Audit Plans

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A Draft Three Rivers District Council 2022/23  
Internal Audit Plan

B Draft Three Rivers District Council and Watford  
Borough Council Shared Services 2022/23  
Internal Audit Plan

# 1. Introduction and Background

- 1.1 Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. (Chartered Institute of Internal Auditors – Internal audit definition and purpose)
- 1.2 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 Head of Assurance annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter which was presented to the July 2021 meeting of this Committee 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 (revised on 1 April 2017). An updated version of the SIAS Audit Charter will be brought to the first meeting of Audit Committee in the 2022 civic year for Member approval.
- 1.4 The PSIAS require that the audit plan incorporates or is linked to a strategic or high-level statement which:
  - Outlines how the service will be developed in accordance with the internal audit charter,
  - Details how the internal audit plan will be delivered,
  - Evidences how the service links to organisational objectives and priorities.
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

## 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, 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, where 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 and to respond to management requests for assistance with investigations, consultancy and other forms of advice.

## Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS applies a methodology at all its partners which contains the following elements:



- 2.3 The approach to audit planning for 2022/23 has been characterised by:

- a) 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 following four steps to assist in the later prioritisation of projects:

### *Risk Assessment*

Senior Managers and SIAS agree the level of risk associated with an identified auditable area and prioritise this (high, medium and low).

### *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.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2022/23 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.

This approach ensures that our work gives assurance on what is important, focussing on those areas of highest risk, and supports the Council in achieving its objectives.

### The Planning Context

2.4 The context within which local authorities provide their services remains challenging:

- The full impact of Covid-19 may not be known and will continue to have significant impact on the Council's operations in future years. Whilst the longer-term impacts of the pandemic remain speculative, the current challenges and risks relate to economic impacts, growth, public health and equality for local authorities.
- From 1 January 2021, the UK entered into new trading arrangements with the EU ending 11 months of transition arrangements. 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 the potential reduction in business rates and increasing unemployment, 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 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, conflicts of interest, probity and procurement, at both national and local levels creating a culture of mis-trust 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.

2.5 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.

#### Internal Audit Plan 2022/23

2.6 The draft 2022/23 audit plans are included at Appendix A and B and contain a high-level proposed outline scope for each audit. The total number of days purchased in 2022/23 remains at 362 days in total covering the Three Rivers District Council, Shared Services and Watford Borough Council audit plans, having reduced by 40 days in 2021/22. The table below shows the estimated allocation of the total

annual number of purchased audit days for the year for the Three Rivers and Shared Services Plans.

	TRDC	Shared Services	Total
Key Financial Systems	0	72	72
Operational audits	83	0	83
Procurement / Contract Management	0	0	0
Shared Learning / Joint Reviews	4	0	4
Risk & Governance	0	0	0
IT Audits	0	15	15
Contingency	0	0	0
Recommendation Follow Ups	8	0	8
Strategic Support*	30	0	30
2021/22 Projects Requiring Completion	5	10	15
<b>Total audit days 2022/23</b>	<b>130</b>	<b>97</b>	<b>227</b>

\* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2023/24.

- 2.7 Members will note the inclusion of a provision for the completion of projects that relate to 2021/22. 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.
- 2.8 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance 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.

### 3. Performance Management

#### Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Three Rivers District 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 2022/23 and any proposed changes will be reported to this Committee four times in 2022/23 and the implementation status of agreed audit recommendations will be included in this reporting process.

### Performance Indicators

- 3.2 Annual performance indicators are reviewed annually by the SIAS Board and details of the 2022/23 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.

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Three Rivers District Council 2022/23 Draft Internal Audit Plan

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Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>KEY FINANCIAL SYSTEMS</b>			
	See Shared Services Audit Plan		
<b>OPERATIONAL AUDITS</b>			
Property Services	Time allocated for a review of the new Asset Management system and subject to the rollout programme, other areas such as lease and rent administration. Coverage to be determined through the year.	15	TBC
Business Continuity Planning	Review of lessons learned.	8	Q2
Development Management Pre-Apps	Review of fee collection and administration of pre-applications received.	8	Q2
Street Naming and Numbering	Review of policy and systems for street naming and numbering.	8	Q3
Trees	Review of assessment of risks associated with the tree surveying process and	10	Q4

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
	subsequent prioritisation of works.		
Housing Allocations	Review of application of the new housing allocation scheme and selection criteria for nominations to the housing register.	10	Q1
Housing Condition Surveys and HMO's	Review of the inspection and assessment processes for housing condition surveys, including monitoring and licensing of Houses in Multiple Occupation.	8	Q2
CIL Spend	Review to provide assurance over the spend proposals for contributions received, including allocation, monitoring and reporting.	8	Q4
Arts Council Culture Recovery Fund Grant	To provide sign-off of the grant spend through the validation of transactions included in the return.	6	Q1
DFG Capital Grant Certification	To provide sign-off of the annual Disabled Facilities Grant declaration through the validation of transactions included in the return.	2	Q2
<b>PROCUREMENT / CONTRACT MANAGEMENT</b>			
	No audits identified for 2022/23.	0	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
<b>RISK MANAGEMENT AND GOVERNANCE</b>			
	No audits identified for 2022/23.	0	
<b>SHARED LEARNING / JOINT REVIEWS</b>			
Shared Learning / Joint Reviews	Shared Learning publications providing opportunities for shared learning across the partnership and Joint Reviews as determined by the SIAS Board.	4	Through the year
<b>IT AUDITS</b>			
	See Shared Services Audit Plan.		
<b>CONTINGENCY</b>			
	See Shared Services Audit Plan.		
<b>FOLLOW-UP OF AUDIT RECOMMENDATIONS</b>			

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
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 Audit Opinion 2021/22	To prepare and agree the Head of Assurance Audit Opinion for 2021/22.	3	Q1
Audit Committee	Preparation and agreement of Audit Committee reports and presentation of reports at Audit Committee. Provide Committee Member training if requested.	9	Through the year
Monitoring and Client Meetings	Plan delivery, preparation of billing information, work allocation and scheduling, meetings with the Council's Audit Champion, attendance at Governance Group.	7	Through the year
2023/24 Audit Planning	Preparation and agreement of the 2023/24 Audit Plans for Three Rivers District Council and Shared Services.	5	Q4
SIAS Development	To reflect the Council's contribution to developing the partnership.	3	Q1

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Target Quarter
Annual Governance Statement	To assist the Council in the preparation of the 2021/22 Annual Governance Statement.	3	Q1
<b>2021/22 PROJECTS REQUIRING COMPLETION</b>			
2021/22 Projects to be completed	Additional time, if required for the completion of 2021/22 audit work carried forward into the 2022/23 financial year.	5	Q1
<b>TOTAL AUDIT PLAN DAYS</b>		<b>130</b>	

<b>2022/23 RESERVE LIST</b> (Scope to be determined in the event that the audit is transferred to the main plan)			
	Watersmeet Theatre		
	Ways of Working		
	Land Charges		

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Shared Services 2022/23 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
<b>KEY FINANCIAL SYSTEMS</b>			
Revenues & Benefits	Review of the Council Tax, NDR, Housing Benefit and Sundry Debtors systems to confirm that controls are adequate and effective. Scope to be agreed with management at the time 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 for both Councils.	30	Q3/4
Finance	Review of Finance systems to confirm that controls are adequate and operating effectively. Scope to be agreed with management at the time and testing will cover the 2022/23 financial year for both Councils.	30	Q3/4
Payroll	Review of the Payroll system to confirm that controls are adequate and effective. Testing will cover 2022/23 and include starters and leavers, additional payments, statutory deductions and payroll period end checks.	12	Q3
<b>OPERATIONAL AUDITS</b>			
	No audits identified for 2022/23.		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days	Estimated Target Quarter
<b>IT AUDITS</b>			
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	Q3
<b>CONTINGENCY</b>			
Contingency	No budget set at outset.		
<b>2021/22 PROJECTS REQUIRING COMPLETION</b>			
Outstanding 2021/22 audits	Time for completion of 2021/22 audits carried forward into 2022/23 (any unused time will be reallocated).	10	Q1
<b>TOTAL AUDIT DAYS – SHARED SERVICES PLAN</b>		<b>97</b>	