

Rother District Council

Report to:	Audit and Standards Committee
Date:	25 March 2024
Title:	Internal Audit Plan 2024/25
Report of:	Gary Angell, Audit Manager
Purpose of Report:	To report the proposed programme of Internal Audit work for the coming year.
Officer	
Recommendation(s):	It be RESOLVED : That the Internal Audit Plan 2024/25 be approved.

Introduction

1. The Accounts and Audit Regulations 2015 require the Council 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 proper practice for the Internal Audit Service is laid down in the Public Sector Internal Audit Standards (hereafter referred to as “the Standards”).
2. The standards are met by establishing a risk-based plan to determine the priorities of the Internal Audit Service, consistent with the Council’s goals. This plan must take into account the requirement to produce an annual Internal Audit opinion and the assurance framework. It must also incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter.
3. The Audit Manager is required to communicate the plan and resource requirements, including significant interim changes, to senior management and the Audit and Standards Committee for review and approval. In order to approve the Internal Audit Plan for 2024/25, Members must first be satisfied that it meets the above requirements.

Overview of Audit Planning Process

4. The preparation of the Audit Plan is a three-step process:

Step	Process	Description
1	Review the Assurance Map	Update the existing assurance map to identify any gaps in assurance requiring review.
2	Risk assessment	A list of all auditable activities is maintained by the Audit Manager and each area is risk assessed and scored by him based on multiple criteria such as the volume and value of

Step	Process	Description
		transactions, the results of previous audits, system complexity, strategic importance, and the frequency of change. This list is updated throughout the year as more audits are completed and information on new or emerging risks become known. The latest position is reviewed in February each year for audit planning purposes.
3	Draft the Audit Plan	The work plan for the coming year is then compiled reflecting the results of Steps 1 and 2 and available staff resources.

Assurance Map

- The Standards require that the Audit Manager considers all sources of assurance as part of the planning process. An 'Assurance Map' has therefore been developed to assess the level of assurance provided.

An Assurance Map provides a visual representation of the various sources of assurance received by an organisation on its management of key service areas. Its purpose is to assist our understanding of the assurance received, to evaluate its adequacy, and to highlight any potential gaps in coverage.

- To produce an Assurance Map for this Council, the main sources of assurance were first grouped based on the 'three lines model' shown below.

First Line	Second Line	Third Line
<p>Functions that own and manage risk.</p> <p><i>The business operations which contribute to internal control and the day to day management of risk.</i></p>	<p>Functions that oversee or specialise in risk management compliance.</p> <p><i>Oversight functions include the Senior Leadership Team and individual committees which set directions, define policy and provide assurance.</i></p>	<p>Functions that provide independent and objective assurance, and advice on all matters related to the achievement of objectives.</p> <p><i>These functions include Internal Audit, External Audit, and any other scrutiny or regulatory body that offer independent challenge to the levels of assurance provided by business operations and oversight functions.</i></p>

- The effectiveness of each type of assurance across a number of key services and processes is then assessed and scored, and a traffic light system is used

- to indicate the level of assurance obtained. Any significant gaps in assurance are highlighted in red.
8. The Assurance Map was last reported to this Committee in March 2023. This document has now been updated and the current position (as at February 2024) is shown in Appendix A. The assessment methodology is set out in Appendix B.
 9. This year, both Capital Projects and the Housing Company are highlighted as high risk areas. The Capital Projects assessment is primarily due to two audits in this area (i.e. the Capital Programme and Blackfriars Spine Road Project) having received limited or minimal assurance ratings in the period from January 2022 to December 2023. Another capital project will therefore be reviewed as part of the 2024/25 Audit Plan. The Housing Company assessment is a result of the minimal assurance rating received at a recent audit of the Council's governance arrangements, and the Senior Leadership Team's wish for greater assurance in this area. However, no further audit work is planned on the Housing Company in 2024/45 as the recommendations made at the latest review are still being followed up by the Audit Manager.
 10. In addition, six areas were identified as medium risk, namely Contract Compliance, Environmental Services, Estates, Financial Services, Procurement and Revenues and Benefits. Audits are planned in all these areas in 2024/25.

Risk Assessment

11. A risk assessment exercise was carried out by the Audit Manager in February 2024 and includes all new and emerging risks identified in service plans produced by officers in the Corporate Management Team or through discussions with these officers.
12. Those activities assessed to be high risk are usually included in the new Audit Plan except where they have only recently been reviewed and the issues found will be covered or followed up elsewhere.
13. Medium risk activities are generally reviewed every two to three years, but low risk activities are ignored to make the best use of audit resources.

Audit Plan 2024/25

14. The Audit Plan for 2024/25 is attached in Appendix C. It has been compiled by the Audit Manager in accordance with the Internal Audit Charter approved by this Committee in December 2022 (Minute AS22/43(2)). The Corporate Management Team have been consulted about its contents and the final version detailed in this report is supported by the Chief Executive.
15. The plan allows for 493 days of audit work on 21 separate audit reviews/ consultancy activities, plus provisions for counter fraud work. It is important that the plan includes a broad range of activities as this allows the Audit Manager to obtain sufficient assurance from the audit work to enable him to present an annual Internal Audit opinion on the adequacy of the control environment.

16. As in previous years, a significant portion of the plan is devoted to the Governance Audits. These audits are reviewed each year, as failures in these areas could have a negative impact on the External Auditor's overall opinion of the Council's financial statements. It should be noted, however, that there will be no ICT Governance in 2024/25 because many of the checks that would normally be carried out during that review will be covered by a Cyber Security audit instead.
17. The plan also contains a full programme of high/medium risk activities including two areas that have not been audited before, namely, Climate Emergency and De La Warr Pavilion and Heart of Sidley - Levelling Up Fund Governance. A review of the Academy End of Year (EOY) Processes will also be undertaken. This work is normally incorporated into the Governance audits, but this time it will be reviewed earlier, as a separate audit, in light of the fact that the end of year process will be handled by an external contractor on this occasion.
18. Owing to issues found in the recent past, an annual Procurement audit will also now be carried out, focusing on a different service area each year. The first service area selected for a short, targeted review of compliance with Procurement Procedure Rules is Neighbourhood Services.
19. Other high and medium risk activities that were also considered when compiling the new plan, but were not included in the final version, are listed in Appendix D for information. As indicated above, items are generally left out of the current plan where they have only recently been reviewed or where the issues found at the latest audit are being addressed elsewhere. Audits are also sometimes deferred for operational reasons or where the controls are covered elsewhere.

Resources

20. Best practice dictates that the plan should meet the audit needs of the organisation, regardless of the level of resources available to deliver it. If the days required exceed the days available, then it is for senior management to decide whether additional resources should be made available or whether they are content to accept the risks involved of not carrying out some of the reviews, and state which reviews should be omitted. However, in practice, the Audit Manager will always plan to undertake all essential work within existing resources, whenever possible.
21. The resources available for the work planned in 2024/25 are shown in Appendix E. From this it can be seen that it will be possible to meet the total resource requirement of the plan using existing resources.

Reporting Arrangements

22. Progress against the plan will be monitored by the Audit Manager and reported to the Audit and Standards Committee once a quarter. The content of the plan will also be kept under review by the Audit Manager in liaison with the Corporate Management Team and adjusted if required, to ensure that it continues to reflect the Council's needs and priorities.

Conclusion

23. The Audit Plan needs to provide sufficient coverage to meet the Council's statutory duty. Internal Audit aim to meet this requirement by focusing on high and medium risk activities across a broad range of services.
24. The Audit and Standards Committee should note the report, approve the Audit Plan for 2024/25, and make any comments considered appropriate to their governance role.

Risk Management

25. Failure to produce a risk-based audit plan could result in Internal Audit not providing management with independent assurance where it is most needed and could increase the risk of serious control weaknesses going undetected.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	Yes	Exempt from publication	No

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Appendices:	A – Rother Assurance Map (February 2024) B – Rother Assurance Map – Methodology C – Audit Plan 2024/25 D – Other audit areas considered but not included in the plan E – Resources for the Audit Plan 2024/25
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

Service or Process	First Line Functions that own and manage risk				Second Line Functions that oversee or specialise in risk management compliance			Third Line Functions that provide independent and objective assurance, and advice			Gap Analysis - Cumulative Points	Internal Audit - Assurance Gap Risk Analysis
	Management self assessments	Key Performance Indicators	Complaints Reporting	Strategy/Policy In Place	Senior Leadership Team	Risk Management	Reporting to Members	Internal Audit	External Audit	Third party assurance/advice		
Capital Projects	5		0	0	3	0	0	5			13	High
Climate Emergency	3		0	0	0	0	0	3			6	Low
Contract Compliance	3	0	3		0	0		3			9	Medium
Data Protection	3		0	0	0	0		3			6	Low
Environmental Services	3	5	0	0	0	0	0	3		0	11	Medium
Estates	3	0	0	3	0	0	0	3		0	9	Medium
Financial Services	5		0	0	0	0	0	5	0		10	Medium
Health and Safety	3		0	0	0	0		3		0	6	Low
Housing	0	0	3	0	0	0	0	0		0	3	Low
Housing Company	5		0	0	3	0	0	5			13	High
Human Resources & Payroll	0		0	3	0	0		0			3	Low
ICT Security	0		0	0	0	0		0		3	3	Low
Planning	3	0	0	0	0	0	0	3			6	Low
Procurement	3		0	3	0	0		3			9	Medium
Revenues & Benefits	3	3	0	0	0	0	0	3	0		9	Medium
Risk Management	0		0	0	0		0	0		0	0	Low
Treasury Management	0		0	0	0	0	0	0		0	0	Low

Processes Assurance Key and Scoring

Good Assurance	0
Moderate Assurance	3
Inadequate Assurance	5
Not Applicable	

Changes to Assurance Gap Risk Analysis since Feb 2023

- Capital Projects and Climate Emergency have been added.
- Asset Management and Property Investment are now combined under a new Estates heading.
- Housing Company has moved ↑ from **Medium** to **High** risk.
- Environmental Services, Estates and Revenues & Benefits have all moved ↑ from **Low** to **Medium** risk.
- Financial Services has moved ↓ from **High** to **Medium** risk.
- Planning has moved ↓ from **Medium** to **Low** risk
- All other assessments remain unaltered.

Assurance Gap Risk Analysis Key

Low Risk (0-6)	Low
Medium Risk (7-12)	Medium
High Risk (13+)	High

Rother Assurance Map – Methodology

First Line – Functions that own and manage risk.

Management Self-Assessments

Ideally an exercise should be carried out by management to determine the levels of assurance they consider to be in place for the services/processes under their control. This should be based on their opinion of the quality of internal controls, the quality of operational management, the experience and knowledge of staff etc. However, in order to complete this section of the map we have mirrored the Internal Audit assurance ratings. We have done this on the basis that management agree the Internal Audit reports and have an opportunity to challenge areas where they disagree.

Key Performance Indicators

Note – This section is based solely on the Key Performance Indicators (KPIs) that have been reported to the Overview and Scrutiny Committee for the first six months of 2023/24.

The Council has a number of KPIs that are reported to Members at the Overview and Scrutiny Committee. However, these do not cover all the services/processes identified in the Assurance Map, and only six areas have relevant KPIs. These are set out in the table below.

Assurance Map Service or Process	Key Performance Indicators
Contract Compliance	N1 Missed bins per 100,000 collections
Environmental Services	E1 % of scheduled food inspections that were carried out
	E2 % of service requests completed in the required timescale
Estates	E1 Income from all assets
Housing	H1 Number of households either prevented from homelessness or relieved from homelessness
	H2 Average cost of placing household in temporary accommodation
	H3 Average weeks a household was in temporary accommodation before placement
Planning	P1 Percentage of major development applications determined in 13 weeks or agreed extension
	P2 Percentage of minor development applications determined in 8 weeks or agreed extension

Assurance Map Service or Process	Key Performance Indicators
	P3 Major development planning appeals allowed by the Planning Inspector
	P4 Minor development planning appeals allowed by the Planning Inspector
	P5 Total number of P1 and P2 planning applications (live cases)
Revenues & Benefits	RB1 Percentage of council tax owed for the year that has been collected
	RB2 Percentage of business rates owed for the year that have been collected
	RB3 Average calendar days to process a new housing benefit claim
	RB4 Average calendar days to process a change to an existing housing benefit claim

The *Performance Report: First and Second Quarters 2023/23* submitted to the committee in November 2023 was examined. Those areas reported to be performing “on target or better than target” (i.e. Contract Compliance, Estates, Housing and Planning) are rated as ‘green’ in the Assurance Map.

Revenues & Benefits has four KPIs. Two are performing well, but the other two are behind target, and one of these (RB4), was found to be “getting worse”. This area is therefore rated as ‘amber’.

The two Environmental Services KPIs are both flagged as “not on target and getting worse” so this area is rated as ‘red’.

Complaints Reporting

Details of all official complaints received by the Customer Services team between 1 January 2023 and 31 December 2023 were reviewed. A total of 175 complaints were received in this period but the vast majority of these were either resolved or not upheld.

A total of three complaints were upheld. These were all Stage 1 complaints in respect of Housing (2) and Recycling - Contract Compliance (1). Both of these areas are therefore rated as ‘amber’. NB - No Stage 2 complaints were fully upheld in this period.

Strategy/Policy in Place

Any services/processes where an up-to-date strategy or policy is in place are rated ‘green’. Strategies and policies which are overdue a review are rated ‘amber’.

Second Line – Functions that oversee or specialise in risk management compliance.

Senior Leadership Team

The level of assurance in this section is based on the amount of senior management oversight and awareness of current issues in the listed areas. The scores shown were shared with and agreed by the Senior Leadership Team.

Risk Management

All strategic risks are recorded in the Corporate Risk Register. The risk register was reported to the Audit and Standards Committee in March 2023 and again in October 2023.

Separate risk registers are required to be kept for all corporate projects.

All Heads of Service/Service Managers must also record and monitor operational risks in Service Risk Registers as part of the Service Plan process.

The latest Corporate Risk Register and Service Risk Registers were reviewed to ascertain what risks have been identified and addressed. These risk registers covered all areas in the Assurance Map and all are therefore rated 'green'.

Reporting to Members

All relevant service/processes are rated 'green' as they are reporting to Members as and when required.

Third Line – Functions that provide independent and objective assurance, and advice.

Internal Audit

Assurance ratings are based on Internal Audit findings on engagements carried out in the last two years. Any services/processes where there has been at least one minimal overall audit assurance rating, or two limited audit assurance ratings are marked as 'red'. Any services/processes which have had one limited audit assurance rating are marked as 'amber'. Services/processes where all audits undertaken in the last two years have had a good or substantial audit assurance rating are marked as 'green'.

Those services/processes that are either yet to be reviewed by Internal Audit (Climate Emergency and Health and Safety) or where no routine audit engagements have been completed in the last two years (Data Protection and Environmental Services), are all marked as 'amber' for the purposes of this exercise.

External Audit

The External Auditors give assurance on the final accounts and the Housing Benefit subsidy claims. As no significant issues have been reported in the past 12 months, the relevant services/processes have all been marked as 'green'.

Third Party Assurance/Advice

The three main areas where this is applicable are Estates, Health and Safety, and Treasury Management.

- Estates – Professional and legal advice is obtained regarding the acquisition of land and property.
- Health and Safety – The Health and Safety Executive (HSE) carry out spot checks and no issues have been highlighted in the past 12 months. The Council also uses an external company that is registered with the Institution of Occupational Safety and Health (IOSH) for advice and training.
- Treasury Management – Link Asset Services provide advice on Treasury Management issues.

In addition, both Environmental Services and Housing have recently received positive compliance reports from the Food Standards Agency and Homes England respectively.

All of the above areas are marked as 'green'.

Zurich Resilience Solutions has previously recommended improvements to ICT Security and Risk Management. The Council's Risk Management processes have since been improved and this area is marked as 'green'. However, the ICT Security issue (i.e. the need to produce an up-to-date Disaster Recovery Plan) is yet to be fully resolved and this area is therefore marked as 'amber'.

Scoring System and Analysis

Processes Assurance Key and Scoring

This is set out in the yellow box at the bottom of the Assurance Map. Points are awarded based on whether the assurance function provides good, moderate or inadequate assurance. These scores enable us to quantify the level of assurance received and identify those areas of higher risk where control may need to be improved.

Gap Analysis – Cumulative Points

This column records the cumulative scores after all sources of assurance have been taken into consideration.

Internal Audit - Assurance Gap Risk Analysis

This column is aimed at prioritising areas for future Internal Audit assurance and consultancy exercises.

The Gap Analysis scores are banded into three assurance categories; low, medium and high risk in accordance with the parameters shown in the blue box at the bottom of the Assurance Map.

AUDIT PLAN 2024/25

GOVERNANCE AUDITS	DAYS
Benefits	21
Business Rates	13
Council Tax	18
Creditors	20
Debtors	15
Payroll	25
Treasury Management	20
TOTAL	132

HIGH & MEDIUM RISK AUDITS	DAYS
Academy EOY Processes *	15
Climate Emergency	15
Cyber Security	15
De La Warr Pavilion & Heart of Sidley - Levelling Up Fund Governance	25
Disabled Facilities Grants	15
Estates Income	15
Food Safety	15
Land Charges	12
Licensing	15
Procurement - Neighbourhood Services *	15
Temporary Accommodation (Bed & Breakfast)	10
Waste Contract - RDC Client Control	10
TOTAL	177

* Short, targeted reviews on single activities or known issues

CONSULTANCY WORK	DAYS
New Initiatives - General Provision	15
U4BW Upgrade Project	5
TOTAL	20

COUNTER FRAUD WORK	DAYS
Income Protection Work - Analysis & Referrals	60
NFI Coordination & Review	10
Whistleblowing Referrals	5
TOTAL	75

AUDIT PLAN 2024/25 (Continued)

OTHER WORK	DAYS
2023/24 Audit Plan Overruns	10
Audit Advice/Special Investigations	42
Committee Representation and Training	25
Liaison with External Audit	2
Recommendation Follow Up	10
TOTAL	89

TOTAL CHARGEABLE DAYS	493
NUMBER OF AUDITS AND CONSULTANCY WORK	21

Other audit areas considered but not included in the plan

Audit Title	Last Review	Notes
High Risk Areas		
Blackfriars Spine Road Project	Aug-23	Significant issues found at recent review. Recommendations being followed up by Audit Manager
Corporate Programme Management	Oct-23	Only recently reviewed. No significant issues found. Next review 2025/26
Housing Company Governance	Oct-23	Significant issues found at recent review. Recommendations being followed up by Audit Manager
Medium Risk Areas		
Asset Management	Jun-18	Estates audit already planned in coming year. Review in 2025/26 to allow time for replacement Estates Manager to settle in
BACS/BACSTEL-IP Computer System	Feb-22	Last reviewed 2021/22. Next audit 2025/26
Building Maintenance	Sep-22	Reviewed 2022/23. Next audit 2025/26
Capital Programme	Jun-22	Significant issues found when last reviewed in 2022/23. However, all the issues raised have since been addressed.
Car Park Income	Dec-23	Only recently reviewed. Next audit 2026/27
Community Infrastructure Levy (CIL)	Dec-23	Recent follow up review. Control much improved. Next audit 2025/26
Data Protection	Jun-21	Assessed substantial at 2021/22 review but Audit Manager is still following-up actions outstanding. Next audit 2025/26
Destin (Property Management) System	Never	First review still in progress
Environmental Services Computer System	Never	M3 recently replaced with Idox. Any Idox-related issues should become apparent from other audit work planned in 2024/25
Grounds Maintenance Contract – Client Control	Oct-21	Contract size likely to reduce soon due to devolvement and cost cutting measures. New contract pending. Next audit 2025/26
Homelessness Prevention Initiatives	Oct-22	Reviewed 2022/23. Next audit 2025/26
ICT Asset Management	Jul-23	Significant issues found at recent review. Recommendations being followed up by Audit Manager
ICT Governance	Jul-23	Replaced by Cyber Security in 2024/25
Income Management	Nov-21	Any significant problems would be identified at other audits
Income Tax	Sep-16	Long-established processes in place with few changes. CIS monitoring now picked up at Creditors audit
Legal Services	Aug-11	Revisit VFM audit after new service provision is agreed.
Planning Computer System	Jan-04	Ocella due to be replaced with new a system in 2024/25. Consider review in 2024/25
Planning Income	Jul-17	Reduced risk as most fees now paid online. Consider review in 2025/26
Pollution Control	Dec-21	Reviewed 2021/22. Two other Environmental Services audits planned in coming year. Defer to 2025/26
Property Investment	Oct-22	Postpone for now as there is no budget for further investment activity at present.
Public Conveniences Cleaning Contract - Client Control	Dec-22	Service recently reduced due to temporary closures and new contract pending. Review in 2025/26
Risk Management	Jun-23	Only recently reviewed. Few issues found. Next audit 2026/27
Section 106 Agreements	Nov-23	Recently reviewed. Few issues found. Next Audit 2026/27
Temporary Accommodation Investment	Nov-23	Recently reviewed. Few issues found. Next audit 2025/26
Value Added Tax (VAT)	Jan-22	Reviewed 2022/23. Next audit 2025/26

RESOURCES FOR THE AUDIT PLAN 2024/25

	TOTALS	Audit Manager	Senior Auditor	Internal Auditor
FTE POSTS	3.0	1.0	1.0	1.0
DAYS AVAILABLE	783	261	261	261
PLANNED AUDIT WORK	Days			
Governance Audits	132			
High & Medium Risk Audits	177			
Consultancy Work	20			
Counter Fraud Work	75			
Other Work	89			
TOTAL CHARGEABLE DAYS	493			
NON-CHARGEABLE TIME	Days			
Management & Supervision	18	18	0	0
Team Meetings	36	12	12	12
Data Analytics	32	2	30	0
Training/CPD	15	5	5	5
Planning & Business Development	12	10	2	0
Performance Appraisals	4	2	1	1
Plan/Review Audit Coverage	19	2	15	2
Annual Leave (Inc. Days Carried Over)	94	34	33	27
Public Holidays	21	7	7	7
Sickness	12	4	4	4
Maternity/Paternity Leave	0	0	0	0
Vacancies/Recruitment	0	0	0	0
Income Generation - Further Work	10	10	0	0
Non-Audit Work - Elections	13	5	4	4
Non-Audit Work - Mental Health First Aid	4	0	0	4
TOTAL NON-CHARGEABLE DAYS	290	111	113	66
TOTAL RESOURCE REQUIREMENT	783			
TOTAL AVAILABLE DAYS	783			