Appendix A

Assurance Strategy 2015 / 2016

"Providing assurance on the management of risks"

Warwickshir
County Council

Working for
Warwickshire

Assurance Strategy

"Providing assurance on the management of risks"

This document sets outs the Assurance Strategy 2015/2016 for Warwickshire County Council[1]. These services are provided by the Risk and Assurance Service of the Resources Group. This document complements the Audit Charter and the Council's Risk Management Framework.

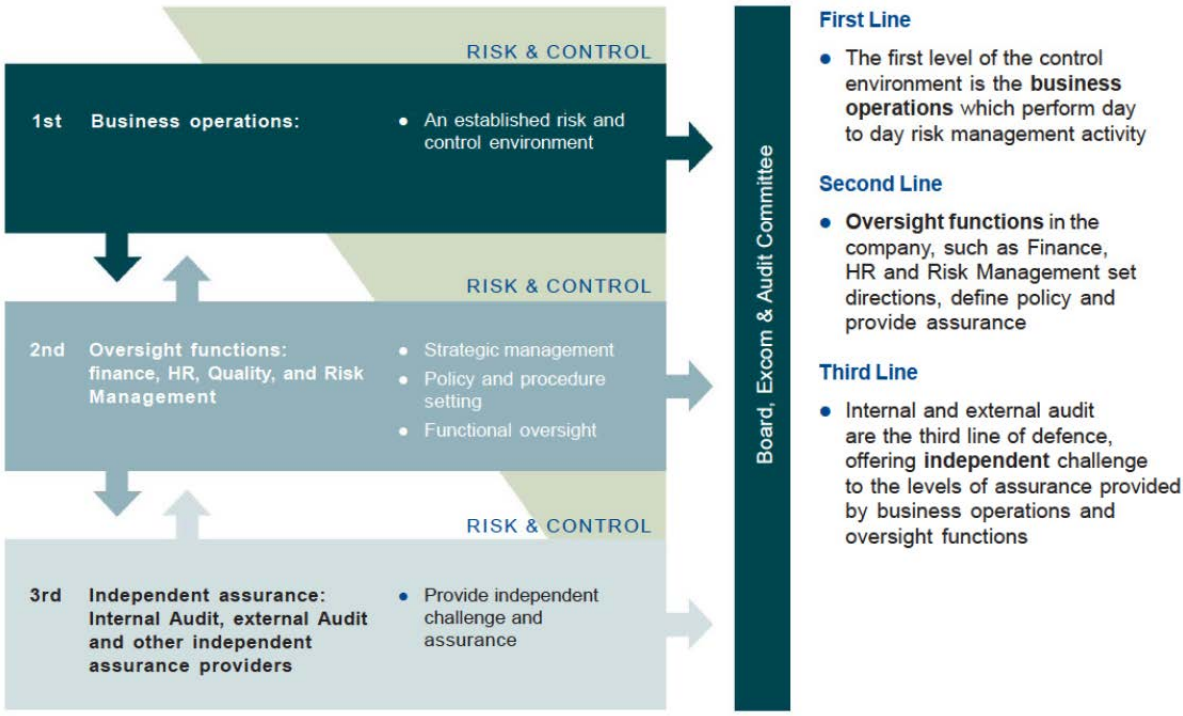
Services

All organisations face risks in every aspect of their work: policy making, decision taking, action and implementation, regulation and spending, and making the most of their opportunities. The different types of risk are varied and commonly include financial risks, IT risks, supply chain failure, physical risks to people, and damage to the organisation's reputation.

The key to the Council's success is to manage these risks effectively. Risk management is the continuous process of planning, organising, leading and overseeing the activities of the Council to effectively manage the potential opportunities and threats that flow from uncertainty. It is an integral part of good management and is therefore at the heart of what all managers do. It is essential to the Council's ability to deliver good quality, cost effective services.

Different parts and levels of an organisation play different roles in managing risk, and the interplay between them determines how effective the organisation as a whole is in dealing with risk. The Institute of Internal Auditors uses a three lines of defence model to explain internal audit's unique role in providing assurance about the controls in place to manage risk:

[1] Historically assurance services have been known as internal audit services



The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of defence, audit's main roles are to ensure that the first two lines of defence are operating effectively and advise how they could be improved. Blurring audits role by undertaking roles that are properly the responsibility of the first or second line of defence should be avoided.

The role of the Assurance Service is therefore to support managers by providing the following services:

Assurance

We develop and then deliver a programme of internal audits to provide independent assurance to senior management and members that significant risks are being addressed. To do this, we will evaluate the quality of risk management processes, systems of financial and management control and governance processes and report this directly and independently to the most senior level of management. In accordance with regulatory requirements most individual assurance assignments are undertaken using the risk based systems audit approach and are not usually designed to identify potential frauds.

We give an opinion on how much assurance systems give that significant risks are addressed. We use four categories of opinion: Full, Substantial, Moderate and Limited assurance.

A report, incorporating an agreed action plan, will usually be issued for every audit. The results of audits are also reported to the Council's Audit and Standards Committee. To assist managers in addressing areas for improvement,

recommendations are classified as: Fundamental, Significant and Merits Attention.

Advice

The Council will face major changes in systems and procedures over the coming years and we are able to provide advice on the control implications of these changes. The service will act as a critical friend. Particular emphasis is put on project governance and process design.

Our knowledge of the management of risk enables us to ***challenge*** current practice, ***champion*** best practice and be a ***catalyst*** for improvement, so that the Council as a whole achieves its strategic objectives.

So, for example if a line manager is concerned about a particular area of his responsibility, working with us could help to identify improvements. Or perhaps a major new project is being undertaken - we can help to ensure that project risks are clearly identified and that controls are put in place to manage them.

Challenge

Champion

Catalyst for improvement

It is more constructive for us to advise on design of processes during the currency of a change project rather than identify problems after the event when often it is too late to make a difference - timely advice adds more value than untimely criticism.

Irregularities

As a publicly funded organisation the Council must be able to demonstrate the proper use of public funds. It is the responsibility of every manager to have systems in place to prevent and detect irregularities. However, if an irregularity is identified or suspected managers are required to notify the Service and will need professional support to investigate the matter.

All significant investigations will be undertaken by the Service but more minor matters will be referred back to the service manager to progress with support from the audit team. The decision on which cases will be investigated will be made by the Chief Risk and Assurance Manager.

Counter fraud

Although responsibility for operating sound controls and detecting fraud is the responsibility of management the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy and managing the roll out of the Council's fraud e-awareness package. The Service also manages the Council's participation in the National Fraud Initiative run by the Audit Commission.

Context

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 state that a local authority is responsible for ensuring that its financial and operational management is effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk. The Regulations require accounting systems to include measures to ensure that risk is appropriately managed.

The requirement for an internal audit function is also contained in the Regulations which require the Authority 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 Council has delegated its responsibilities for internal audit to the Strategic Director of Resources.

Definition of Internal Auditing

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's 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 key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities it is to provide assurance to the organisation (managers, heads of services and the Audit and Standards committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. We help the Council achieve its objectives by providing assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Authority's control environment which feeds into the Annual Governance Statement.

Vision, purpose and values

A professional, independent and objective internal audit service is one of the key elements of good governance in local government.

As a modern effective risk and assurance service we

- Act as a catalyst for improvement at the heart of the organisation
- Influence and promote the ethics, behaviour and standards of the organisation

- Develop a risk aware culture that enables customers to make informed decisions
- Are forward looking
- Continually improve the quality of our services

A key driver of this strategy is the need to meet all our customer's needs. Our customers will continue to be affected by a variety of local and national issues:

- Funding pressures faced by local government;
- Increased growth in partnerships, for example with health and the private sector;
- Ever increasing use of technology to deliver services;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services; and
- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness.

These, and other developments, will mean increased pressure on the service to review existing systems and provide advice on new and complex initiatives within reducing resources. To respond to the demands on us we will:

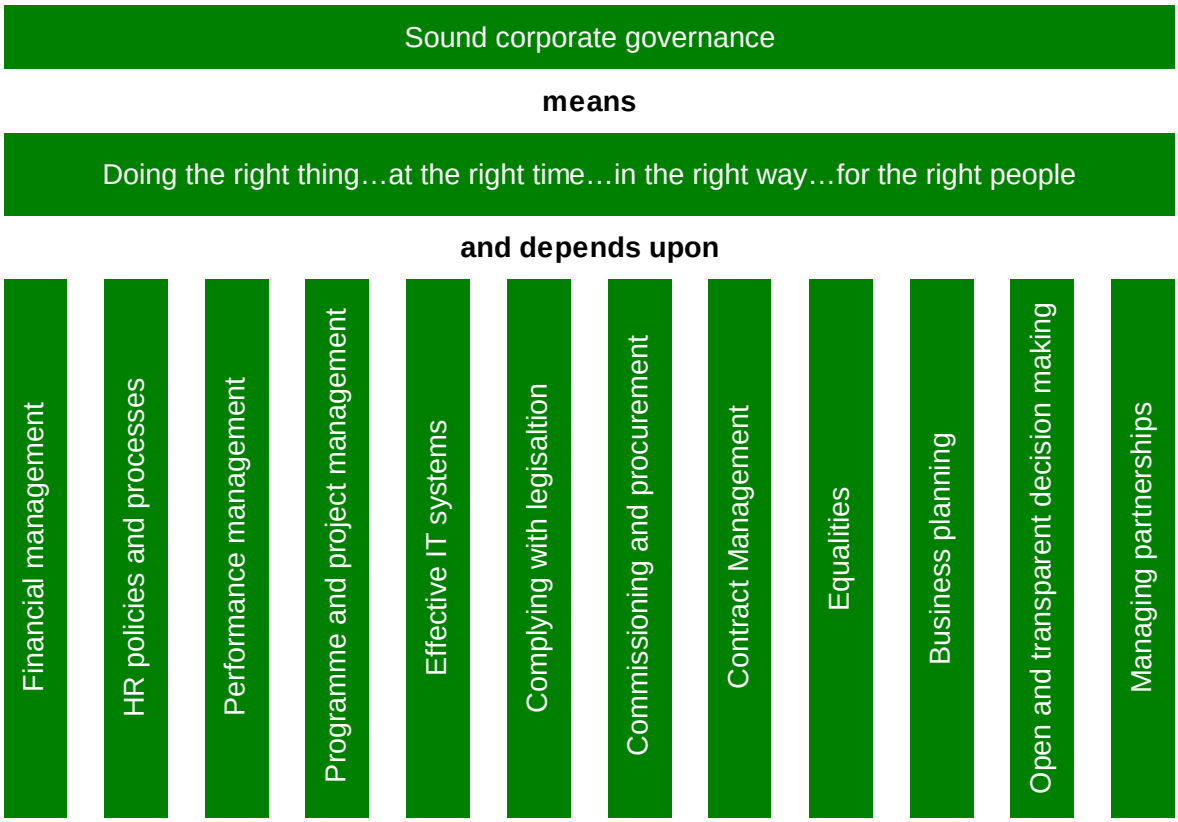
- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands.
- Continue to invest in modern technology to improve efficiency and effectiveness.
- Add value and make best use of our resources by focussing on key risks facing our customers.
- Increasingly work in partnership with clients to improve controls and performance generally. We must add value and help deliver innovations in service delivery.
- Continue to buy in specialist help – particularly in IT and contract audit.

By embracing these challenges we will be a vital component of the Council's success.

Our approach for 2015 / 2016

As in previous years the plan covers one year. This is now accepted best professional practice. The focus of our work continues to be primarily on the high risk areas and change programmes and key corporate processes. Audits of this nature are a more effective use of limited resources and are key to providing the appropriate assurance to the Council that its overall governance arrangements remain effective.

Figure 1: Key corporate processes



The Council is facing unprecedented financial pressures and the Risk and Assurance Service has had to play its part in making savings. The nature of the service means that savings can realistically only be achieved by cutting staff especially as we have already invested in IT systems to improve quality and consistency and achieve efficiencies. The resource available for county council work in 2015/16 is expected to be the equivalent of about 7 staff which means that we have to focus on the really key issues.

To make the best use of our limited resources we have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management to identify areas for review where management require assurance that systems of internal control are adequate and operating effectively. The results of these discussions are supplemented by reviewing entries in the corporate risk register, work on key financial systems and audits of topics not previously audited or audited some time ago. In addition, the head of audit regularly attends various professional networking meetings which highlight wider the issues affecting local government internal audit which need to be reflected in the programme of work.

To minimise duplication and make the best use of limited resources we aim to rely on work undertaken by other assurance providers rather than undertake our own detailed checks. For example if the health and safety function undertakes compliance checks we will evaluate their approach and if it is sound then future audit work on the topics covered can be limited. The internal audit service therefore builds upon the work on other assurance providers.

Similarly, although our roles and responsibilities are different the service continues to liaise closely with the Authority's external auditors.

The majority of assurance services will be provided directly by the Risk and Assurance Service. External parties may be employed to provide support in specialist areas for example the provision of contract and IT audit expertise. External support may also be called upon to cope with peaks in demand.

There will inevitably be circumstances where the Chief Risk and Assurance Manager will have to amend the programme, e.g. when risks change or a specific project becomes a matter of priority. There may be cases where individual lower priority audits have to be rescheduled because of competing priorities. Throughout the year the plan will be updated to ensure it remains relevant. In year changes to the plan to reflect such changes are accepted as best practice. This plan, therefore, is not set in stone. It will need revising as circumstances change.

A detailed list of topics is shown in Figure 2 and key points to note are:

- **Advice**

  The Council is continuing to undergo significant changes and discussions with senior officers have identified a demand for advice work so provision has been included to allow us to respond to requests for advice during the year. It is anticipated that the major project requiring an audit input will be the project to implement a new social care client record system. In addition to the specific tasks outlined an allocation of time has been reserved for providing advice on general issues that might arise during the year.

- **Delivery of one organisational plan savings**

  A key risk on the Strategic Risk Register and a common theme arising from discussions with senior managers are the challenges presented by the savings targets. Financial and performance management will therefore feature in many of this year's audits.

- **Value for money**

  Although internal auditors consider value for money issues where relevant during risk based audits, specific value for money audits are not usually undertaken because such work would adversely impact the core assurance and advice work. However, auditors will continue to highlight any VFM issues that arise during general audits and will pay particular attention to identifying opportunities to reduce over-control, and streamline processes.

- **Counter fraud**

  The Council is fortunate in not having a large number of irregularities but provision has been included in the plan for any investigations that are required based on past experience of the number and complexity of cases. We will continue to publicise the Council's anti-fraud policy. Also included in this

category is the work arising from the Authority's mandatory participation in the National Fraud Initiative which is now run by the Cabinet Office.

Figure 2: Workplan 2015/2016

Business group	Topic	Assurance	Advice	Counter Fraud	Certification
Fire & Rescue	Training	✓			
	Transport	✓			
	Capital grant certification				✓
People	People Group IT systems		✓		
	Better Care Fund	✓			
	Fostering and adoption	✓			
	Section 17 payments	✓			
	Financial assessment	✓			
	Mental health / s75 agreement	✓			
	Deprivation of liberties	✓			
	Learning disabilities	✓			
	Care Act		✓		
	Transforming care				✓
	Autism				✓
	Home care invoicing (HIPI)	✓			
	Reablement services	✓			
	IDS	✓			
	County Music Service	✓			
	Case file recording – Adults	✓			
	Case file recording - Children	✓			
Resources	Financial management - Fire	✓			
	Agresso user access	✓			

Business group	Topic	Assurance	Advice	Counter Fraud	Certification
	Complaints	✓			
	Customer service centre / Firmstep / Warwickshire Direct	✓			
	Library / one front door	✓			
	Registration	✓			
	Marketing and communications	✓			
	HR management – Fire	✓			
	IT audit	✓			
	HR service centre	✓			
	Vetting	✓			
Communities	Streetworks	✓			
	Pothole Fund				✓
	Local transport capital grant				✓
	Parking	✓			
	Bus operators grant				✓
	Pinch point funding grant				✓
	Business support	✓			
	Rural growth network				✓
	Business centres	✓			
	Health and well-being	✓			
	Priority families	✓			✓
	Flood damaged roads				✓
	SEN / Schools - themed review of SEN	✓			
	Schools - themed review of safeguarding	✓			
	Schools - themed review of pupil premium	✓			

Business group	Topic	Assurance	Advice	Counter Fraud	Certification
	Individual school audits	✓			
Corporate	NFI			✓	
	Use of consultants	✓			
	Counter fraud			✓	
	Procurement cards	✓			
	Annual governance statement	✓			
Miscellaneous	Justices Wine and Plate Fund				✓
	Lord Lieutenants Fund				✓
	Staff Club				✓
	Members Club				✓

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1 April 2015