Appendix A

Internal Audit Strategy 2017/18

"Providing assurance on the management of risks"

Warwickshire County Council

Working for Warwickshire

Internal Audit Strategy
2017/2018

"Providing assurance on the management of risks"

This document sets outs the Internal Audit Strategy 2017/2018 for Warwickshire County Council. 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.

The Role of Internal Audit

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.

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 Joint Managing Director.

> ## 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 do this by **providing risk-based and objective assurance, advice and insight**. The assurance work culminates in an annual opinion on the adequacy of the Authority's control environment which feeds into the Annual Governance Statement.

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:
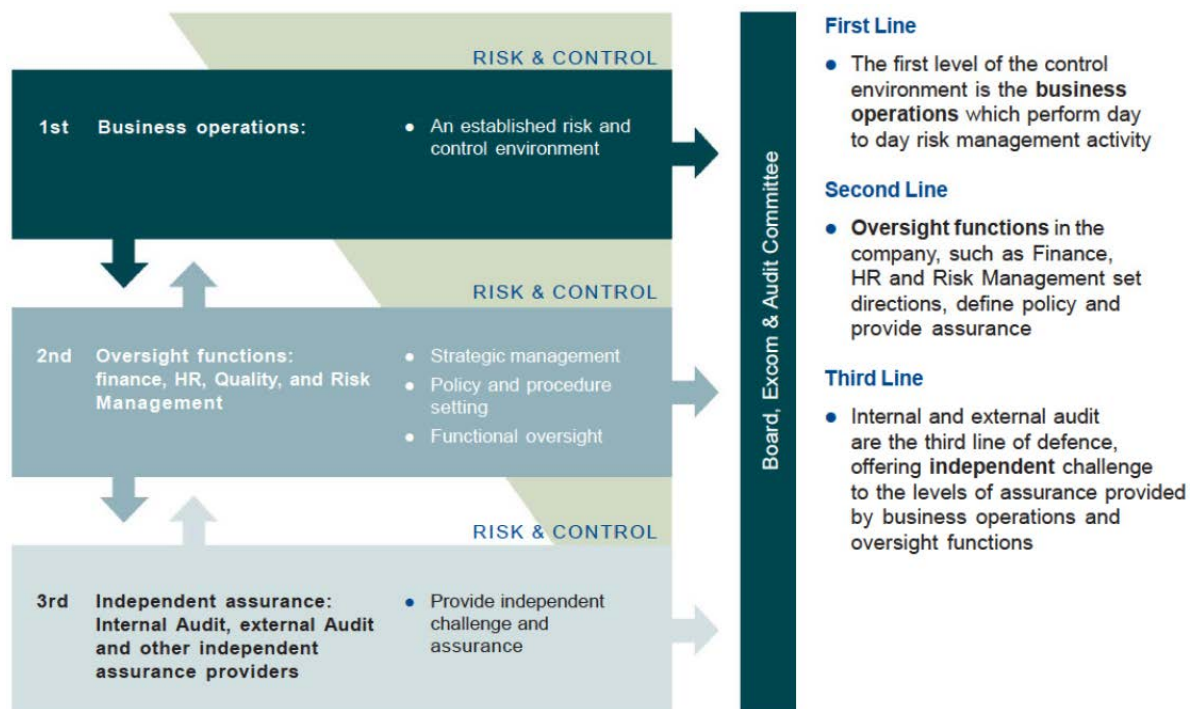
The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of defence, audit's main roles are to ensure that the first two lines of defence are operating effectively and advise how they could be

improved. Blurring audits role by undertaking roles that are properly the responsibility of the first or second line of defence should be avoided.

We develop and then deliver a programme of internal audits to provide independent reasonable 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.

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.

Services

In addition to undertaking audits the Services is able to support the organisation by also providing the following services:

Consultancy / 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 criticism and as it is possible to use less resource to identify key points than in a standard audit - timely advice adds more value than untimely.

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 relevant 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.
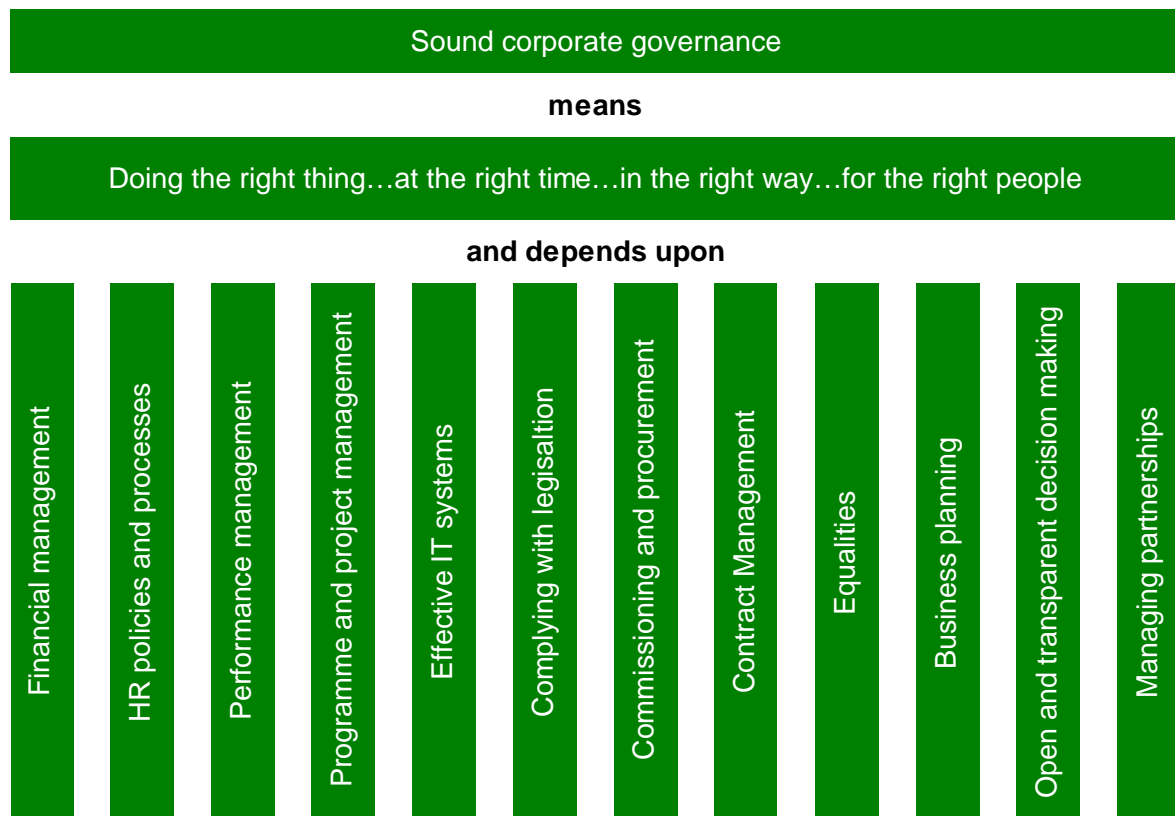
Counter fraud

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 coordinates the Council's participation in the National Fraud Initiative.

Our approach for 2017 / 2018

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 very 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

Sound corporate governance

means

Doing the right thing…at the right time…in the right way…for the right people

and depends upon

Financial management	HR policies and processes	Performance management	Programme and project management	Effective IT systems	Complying with legisaltion	Commissioning and procurement	Contract Management	Equalities	Business planning	Open and transparent decision making	Managing partnerships

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 2017/18 is expected to be the equivalent of about 6 staff which means that we have to continue to focus on the really key issues.

To ensure the best use of limited audit resources audit work needs to be carefully planned. We have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management and taking into account the organisation's aims, strategies, key objectives, associated risks, and risk management processes. Our plan also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which when last audited received a low opinion. In addition, auditors regularly attend various professional networking meetings which highlight wider the issues affecting public sector internal audit which need to be reflected in the programme of work.

The risk of potential fraud forms part of the risk assessment process and national surveys and intelligence on risk areas is taken into account along with data on actual frauds at Warwickshire.

Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days have been allocated to each potential topic. This takes into account a range of factors including: when the topic was last audited, complexity of the topic and level of change. The Council's strategic risks and the key planned work to provide assurance on these risks are shown in Annex 1.

In addition to the assurance and advisory work listed provision has been made in our work plan to undertake the certification of a small number of grant claims and miscellaneous funds (such as the Staff Club), undertake investigations, to complete outstanding 2016/17 jobs and a limited amount of counter fraud work (e.g. update of the anti-fraud policy and publicity) . The non-audit work undertaken by the service has also been taken into account.

The aim is to give a high-level overview of audit areas. The Committee will note that whilst we are able to cover key aspects of very high risk areas, these and other risks are not covered comprehensively. The Council is able to accept a plan on this basis, provided this matches its "risk appetite" for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary). Annex 2 shows those topics that we are planning to audit together with an illustrative list of topics that we are not planning to audit based upon existing level of resources. This annex reflects the continued upward trend in suggestions / requests for audit and particularly advisory work which in turn reflects the very high level of change and hence risks facing the organisation.

Demonstrating the assurances planned on each strategic risk and being transparent about auditable topics that cannot be audited are key requirements of internal audit professional standards and we are increasingly moving to a top down approach with the plan being driven by key risks. We have always undertaken a risk assessment

exercise each year but changes to standards require plans to be more explicit on these matters.

In developing the list of planned topics and have taken into account existing management processes and oversight by support functions such as Finance, HR, Health and Safety and Legal. The internal audit service therefore builds upon the work on other assurance providers and allows us to reduce the resource required for some advisory topics. This approach will be further refined in future plans. 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 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.

Quality Assurance and Improvement Programme

The PSIAS require the Chief Risk and Assurance Manager to develop and maintain a quality assurance and improvement programme (QAIP) covering all aspects of the internal audit activity.

The QAIP includes internal assessments, periodic self-assessments and external assessments and is not only designed to assess the efficiency and effectiveness of Internal Audits, but also to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The Service operates a quality management system compliant with the internationally accepted ISO 9001 standard. As part of this we have an Audit Manual based on accepted professional practice which as well being compliant with PSIAS builds quality into every stage of the audit process. A summary of the QAIP is shown in Annex 3.

G Rollason
Chief Risk and Assurance Manager
1 April 2017

Strategic Risks

Risk	Gross Risk Rating	Net Risk Rating	Summary of past internal audit coverage[1]	Examples of proposed internal audit role / planned assignments
Government policies, new legislation, austerity measures and demographic pressures present challenges on service delivery.	RED	AMBER	• Programme and project management – Moderate 2016/17 • Advisory input into transformation projects	• Savings and transformation plans – Communities and Resources • Advisory input into transformation projects
Continuing pressure on Adult Social Services and Health.	RED	AMBER	• Reablement – Substantial 2015/16 • Contract management – in progress 2016/17 • People transformation programme – Substantial – 2014/15	• Savings and transformation plans – People • Commissioning • Domiciliary care • Mosaic •
Failure to adequately safeguard Children and Vulnerable Adults.	RED	RED	• Case file recording – Moderate 2015/16 • MASH – Limited 2016/17 • SEN – Moderate 2015/16 • Schools – pupil premium – Moderate 2015/16 • Deprivation of liberties – Moderate 2015/16 • Schools – safeguarding - Limited 2015/16 • Missing children – Limited 2016/17	• Child protection • Missing children • Homefirst • Advisory input into transformation projects • Links with health • Contracting – Public Health • Schools – safeguarding

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[1] Only audits completed in last 3 years are shown

Risk	Gross Risk Rating	Net Risk Rating	Summary of past internal audit coverage[1]	Examples of proposed internal audit role / planned assignments
Failure to maintain the security of personal or protected data.			• Information governance – Moderate 2014/15	• Information governance
The security and integrity of our systems are disrupted as a result of cybercrime.			• Specialist IT audits • Information security protocols – In progress 2016/17 • Ransomware – in progress 2016/17	• Specialist IT audits
Inability to secure economic growth in Warwickshire.			•	• Economic development and growth
Inability to keep our communities safe from harm.			• Flood risk – Moderate 2014/15 • Emergency planning – Moderate 2014/15	• Highways • Savings and transformation plans - Fire

Workplan 2017/2018

1. Planned Work

Business Group	Topic	Priority VH/H/M/L	Assurance	Advice
Communities	Local Education Authority - Roles & Responsibilities	VH	✔	
	Heritage & Environment	VH	✓	
	Waste Management	VH	✓	
	Multi-academy trust	VH		✓
	Contracting - Public Health	VH	✓	
	Transport CFM & Fleet management	VH	✓	
	Highways (inc maintenance Contract)	VH	✓	
	Savings and transformation plans	VH	✓	
	Economic development and growth	H	✓	
Schools	Follow up of previous limited opinion audits	VH	✓	
Fire	Savings and transformation plans	VH	✓	
Pension Fund	Investment management	VH	✓	
People	Foster Payments	VH	✓	
	Missing Children	VH	✓	
	Commissioning	VH	✓	
	Mosaic	VH	✓	✓
	Savings and transformation plans	VH	✓	
	Direct Payments – Adult	VH	✓	✓
	Homefirst	VH	✓	
	Domilliciary care	H	✓	
	Links with health	H	✓	
Resources	Old Shire Hall	VH	✓	
	Your HR	VH	✓	✓
	Vetting – local recruitment	VH	✓	
	Information Governance	VH	✓	
	IT Audits	VH	✓	
	Savings and transformation plans	VH	✓	
	Catering	VH		✓
	Cleaning	VH		✓
	Property Restructuring	VH		✓
	Property management	VH		✓
	Property - contracts	VH	✓	

2. Illustration of auditable topics not planned for 2017/2018

In addition to the coverage of key risks areas discussed at Annex 1 and above, the PSIAS requires the strategy to be open about those audit areas not covered in 2017-2018. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2017/18. However, should planned audits not take place topics from this list will be substituted.

Business Group	Area	Latest coverage[2]	Other assurances	Priority	Type
Communities	Emergency Planning	Moderate 2014/15		H	Audit
	School improvement	Moderate 2014/15		H	Audit
	Financial Management			H	Audit
	Individual schools		Finance, HR	H	Audit
Fire	Premises Risk Management	Substantial 2014/15		H	Audit
Pensions	Pensions - Admin	Substantial 2016/17		H	Audit
People	Child Protection			H	Audit
	Direct Payments - Children		Finance	H	Audit
	Case File recording	Moderate 2015/16		H	Audit
	Reablement	Substantial 2015/16		H	Audit
Resources	Consultants			H	Audit
	Customer Service Centre	Moderate 2016/17		H	Audit
	Financial Systems			H	Audit
Communities	Health and safety		Health & Safety	H	Audit
Resources	Procurement		Procurement	H	Audit
	Performance management		Performance	H	Audit
	Programme & project management		Performance	H	Audit
	Contract Management			H	Audit
Communities	Home to school transport	Moderate 2016/17		M	Audit
	SEN & inclusion	Moderate 2015/16		M	Audit
	School Organisation & Planning	Full 2014/15		M	Audit
	Health and Well Being			M	Audit
	Civil parking enforcement	Moderate 2015/16		M	Audit
	Planning Control	In progress 2016/17		M	Audit
	Highways response to planning applications			M	Audit
	Winter maintenance			M	Audit
Fire	Command and control			M	Audit
	Training	Moderate 2015/16		M	Audit
	Transport	Limited 2015/16		M	Audit
	Water	Substantial 2015/16		M	Audit

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[2] This may not necessarily be a full scope review and only audits completed in the last 3 years are shown.

Business Group	Area	Latest coverage[2]	Other assurances	Priority	Type
	Duty management system			M	Audit
Pensions	Pensions - governance	In progress 2016/17		M	Audit
People	Residential Care			M	Audit
	Resource Allocation			M	Audit
	Transition - children to adult	Moderate 2014/15		M	Audit
Resources	Complaints	Moderate 2016/17		M	Audit
	Business Rate Pooling			M	Audit
	Capital Programme	In progress 2016/17	Finance	M	Audit
	Absence Management	Moderate 2016/17	HR	M	Audit
	HR management	Moderate 2014/15	HR	M	Audit
	Payroll & HR transactional services	Moderate 2014/15		M	Audit
	Insurance			M	Audit
People	Occupational Therapy	Substantial 2014/15		L	Audit
Communities	Grants to voluntary organisations	Substantial 2014/15		L	Audit
	Design services	Substantial 2014/15		L	Audit
	Youth Justice Service			L	Audit
	Music Service	Moderate 2015/16		L	Audit
	Outdoor education	Moderate 2015/16		L	Audit
	Catering & cleaning			L	Audit
	Income, Cash Collection & Banking			L	Audit
	School pupil premium	Moderate 2015/16		L	Audit
	Concessionary fares			L	Audit
	Public transport			L	Audit
	Streetworks			L	Audit
	Road safety			L	Audit
Fire	Equipment and uniforms		Procurement	L	Audit
People	Deprivation of liberties	Moderate 2015/16		L	Audit
	Reviewing team	In progress 2016/17		L	Audit
Resources	Market & communications	Substantial 2015/16		L	Audit
	Translation			L	Audit
	Libraries, one front door, information service	Moderate 2015/16		L	Audit
	Registration	Moderate 2015/16		L	Audit
	Social Fund	Substantial 2014/15		L	Audit
	Budget management		Finance	L	Audit
	VAT		Finance	L	Audit
	Coroner			L	Audit
	Members allowances			L	Audit
	Scrutiny			L	Audit
	Consultation	In progress 2016/17		L	Audit

Annex 3: QAIP

Warwickshire County Council – Quality Assurance and Improvement Programme

Quality Assurance

Audit Managers

Auditors

HIA

Quality Improvement Plan

Audit Managers

Supervision & review

Quality Assurance — Periodic external assessments against PSIAS. Annual inspections and internal quality audits to confirm compliance with ISO 9001:2008 and the Audit Manual. Robust performance monitoring.

Quality Improvement Plan — Quality improvement plan - HIA reports to Audit Committee on the outcome of Quality Assurance including any improvement action plan and any significant non-conformance with PSIAS.

Supervision & review — Ongoing monitoring and quality assurance is built into the audit process. Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied. Post assignment de-brief.

Head of Internal Audit

HIA

- Undertake an annual self-assessment against the requirements of PSIAS
- Develop and maintain a Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment in accordance with PSIAS requirements

Audit Managers

- Undertake supervision and review audit engagements
- Obtain assurance from supervision and review processes that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit manual / PSIAS
- Provide HIA with regular reports on outcome of reviews, performance against key service measures etc
- Provide feedback to auditors on quality of their work
- Promote high professional standards and compliance with audit manual / PSIAS
- Continually develop their team members

Auditors

- Conduct audit engagements in accordance with audit manual PSIAS
- Deliver all assignments on time and within budget

All

- Comply with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Committed to delivering high quality services and continuous improvement
- Promote the internal audit service
- Committed to continuing professional development