

Audit & Standards Committee

24 May 2018

Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **24 May 2018** at **10:00 a.m.**

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests.

Members are required to register their disclosable pecuniary interests within 28 days of their election or appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with.
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the Audit and Standards Committee meeting held on 29th March 2018 and Matters Arising

The public reports referred to are available on the Warwickshire Web
www.warwickshire.gov.uk/cmis

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)

2. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’.

3. Exempt minutes of the Audit and Standards Committee meeting held on 29th March and Matters Arising

4. Internal Audit Progress Report

ITEMS FOR DISCUSSION IN PUBLIC – The committee will return to public session.

5. Internal Audit – External Quality Assessment

The Committee is asked to consider the outcome of an External Quality Assessment of the internal audit service.

6. Internal Audit Annual Report 2017/2018

The Committee is asked to consider the results of internal audit work completed during 2017/2018.

7. Annual Governance Statement 2017/2018

The Committee is asked to endorse the results of the review of internal control and the draft annual governance statement for the County Council.

8. Internal Audit Plan 2018/19

The Committee is asked to approve the proposed plan and to note that no changes are currently required to the Audit Charter.

9. Work Programme and Future Meeting Dates

To consider items for the committee’s work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- 25th July 2018
- 29th November 2018
- 28th March 2019

10. Any Other Business

Membership of the Audit and Standards Committee

Councillors: Parminder Singh Birdi, Andy Crump, Bill Gifford, John Holland, John Horner and Jill Simpson-Vince

Independent Members: John Bridgeman CBE (Chair) and Bob Meacham OBE

For queries regarding this agenda, please contact:

Ben Patel-Sadler, Democratic Services Officer

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DAVID CARTER
Joint Managing Director
Warwickshire County Council
May 2018

**Minutes of the meeting of the Audit and Standards Committee
held on 29 March 2018**

Present

Members:

Councillors Parminder Singh Birdi, Mark Cargill, Andy Crump, Bill Gifford, John Holland and Jill Simpson-Vince

Independent Members:

John Bridgeman CBE
Bob Meacham OBE

Officers:

John Betts, Head of Finance
Sarah Duxbury, Head of Law and Governance
Ben Patel-Sadler, Democratic Services Officer
Garry Rollason, Chief Risk and Assurance Manager

External Representatives:

Andrew Reid, Grant Thornton – Auditors

1. General

(1) Apologies

None

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

Councillor Jill Simpson-Vince declared a non-pecuniary interest as a member of the Local Pension Board.

Councillor Andy Crump declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

Councillor John Holland declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

Councillor Bill Gifford declared a non-pecuniary interest as a member of the Pension Fund Investment Sub-Committee.

(3) Minutes of the meeting of the Audit and Standards Committee held on 7 December 2017 and Matters Arising

Members noted that a briefing note detailing insurance arrangements had been circulated via e-mail.

It was agreed that the minutes be signed by the Chair as a true record.

2. External Auditors Report - Annual Audit Plan and Audit Fee Letter for the County Council 2017-18

Andrew Reid, Grant Thornton – Auditors introduced the report and informed the Committee that the contents were in line with previous submissions of the same report.

Members noted that the only change in terms of the content of this report was the bringing forward of the deadline for submission of the annual accounts. The bringing forward of this deadline would be with effect from the summer of 2018. Andrew Reid informed the Committee he was confident that this deadline (July 2018) would be met.

Andrew Reid informed the Committee that professional standards specified that some risks were considered during all external audits whether district, borough or county councils, particularly with regards to the potential of certain controls being overridden.

Members noted that with regards to the valuation of property, the external auditors would routinely class this as a potential risk due to the fact that valuations involved the exercise of professional judgements and estimates of certain individuals or organisations. Andrew Reid informed the Committee that a detailed sample analysis of both internal and external valuations was completed by the external auditors to ensure that the figures were within the correct parameters.

The Committee noted that payroll had been flagged as a potential risk by the external auditors due a significant change to the system being implemented during this audit period. However, the change had already been implemented by the time of this meeting and the impact of this change had been mitigated due to it being undertaken via a phased approach.

Andrew Reid informed the Committee that the value for money judgement outlined in the report would consider the financial health of the organisation.

Members expressed a view that any 'lessons learned' following the situation at Northamptonshire County Council should be analysed thoroughly.

John Betts, Head of Finance informed the Committee that CIPFA were in the process of arranging seminars to brief local authority staff on how the issues at Northamptonshire arose and how they could be avoided in the future. The Committee noted that Warwickshire County Council had recently increased Council Tax to ensure that statutory services could continue to be provided. The Council had a robust medium-term financial plan in place. Members noted that a financial plan for the period post-2020 had not yet been formulated, as officers were awaiting confirmation from central government in terms of what future funding levels would be. Members noted that the Council had a robust level of reserves – the external auditors would continue to make judgements on whether or not the Council remained a going concern into the future.

The Committee noted that the Council had no financial arrangements with Northamptonshire County Council.

Andrew Reid informed the Committee that 'lessons learned' also applied to external auditors of local authorities in respect of what had occurred at Northamptonshire, for example why the external audit process there had not flagged any financial concerns at a much earlier stage.

It was suggested that a regular agenda item should be included at each future meeting that would seek to flag any potential risks for the authority going forwards. John Betts assured the Committee that officers sought and analysed any potential risks to the authority on an ongoing basis and relevant issues would be reported to members as necessary.

Resolved:

The Committee considered the Annual Audit Plan for the County Council from the External Auditors for 2017-18, as outlined in Appendix A of the report, and the Audit Fee Letter, as outlined in Appendix B of the report, for the County Council.

3. External Auditors Progress and Update Report

Andrew Reid, Grant Thornton – Auditors introduced the report and informed the Committee that the external auditors were satisfied that progress was currently at the correct point of the process, with final sign off expected to be given in July 2018.

The Committee noted that the external auditors had completed their work within the same number of audit hours as in recent years. The number of audit hours completed on an annual basis was reviewed regularly – the relationship between the external auditors and officers had meant that the last few years had been stable in terms of the number of audit hours required to complete the process.

Andrew Reid assured the Committee that the quality of the audit provided by the external auditors was commensurate with the fee charged. Officers had formed good working relationships with Grant Thornton staff and as such, the existing external audit process was robust. John Betts, Head of Finance informed the Committee that the Council was satisfied with the quality of external audit provided by Grant Thornton.

Resolved

The Committee considered the External Auditors Progress and Update Report and requested that a comparison between past and present external audit inputs was provided.

4. External Auditors Report - Annual Audit Plan for the Warwickshire Pension Fund 2017-18

Andrew Reid, Grant Thornton – Auditors introduced the report and informed the Committee that due to professional ethics requiring audit managers to be periodically rotated he would now be completing the annual audit of the Warwickshire Pension Fund.

The Committee noted that there were no significant changes to this report, although reference had now been made to the Council's admission into the Border to Coast Pension Pool and the need to comply with MIFID II regulations.

Members noted that the Council would not be formally entering the Border to Coast Pool until the 2018-19 financial year. Members noted that significant sums would be transferred into the new pooling arrangements.

The Committee noted that the Council was compliant with MIFID II regulations.

Members noted that it would not be known immediately if the transfer of assets to the Border to Coast Pool had yielded significant savings. Identifying the benefits of this arrangement would be a long term process. The Committee noted that it was a statutory requirement for local authorities to join a Pension Pool.

The Committee noted that at the current time, members and officers were confident that Border to Coast was the correct Pool to have joined. John Betts, Head of Finance informed the Committee that all members were aware of the Pooling arrangements – reports had been submitted to meetings of full Council for approval of the arrangements.

Resolved

The Committee considered the Annual Audit Plan from the External Auditors for 2017-18, as outlined in Appendix A of the report, for the Pension Fund.

5. Local Government Ethical Standards Consultation

Sarah Duxbury, Head of Law and Governance introduced the report and asked members if they had particular points that they wished to be included in the Council's response to the consultation. The following points were made by members during the ensuing discussions:

- Members would advocate a review of the sanctions available to Councils to impose, as the changes to the standards regime some years ago limited the range of sanctions available in code of conduct cases, particularly in rare, serious cases.
- Members noted the importance of transparency and also the rules of natural justice in place to ensure fair process and protection for all parties.
- It was recognised that the ultimate sanction would be determined by the electorate when it came to elections.
- Peer pressure and the role of the political partners was also highlighted in relation to standards.
- It was felt that incidences of intimidation of local councillors and vexatious complaints made against them were potentially increasing. Members

expressed a view that a process to protect local councillors against this behaviour would be useful.

- Members would advocate action being available for bodies to take against those individuals where it had been proved that vexatious complaints, acts of intimidation or circulating of inaccurate information had been carried out by them.

The Committee noted that the County Council response to the consultation would be collated during April 2018 for submission by the May deadline. Members were encouraged to send any further comments/suggestions directly to Sarah Duxbury before the end of April 2018.

Resolved

The Committee considered the Committee on Standards in Public Life consultation document (review of local government ethical standards) and commented on points to be included in the Council's response to the consultation.

6. Work Programme and Future Meeting Dates

The Committee noted the items for consideration at future meetings and the future meeting dates.

7. Any Other Urgent Business

None

8. Report Containing Confidential or Exempt Information

Resolved

That members of the public be excluded from the meeting for the item mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

9. Exempt minutes of the meeting held on 7 December 2017

It was agreed that the minutes be signed by the Chair as a true record.

10. Internal Audit Progress Report

The Committee reviewed a report detailing recent internal audit work.

11. Report into a Fraud in the Benefits Assessment & Income Control (BAIC) Team

The Committee reviewed a report summarising the case to date.

The Committee rose at 11.35 a.m.

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Chair

Audit & Standards Committee

24 May 2018

Internal Audit – External Quality Assessment

Recommendation

That the Committee consider the outcome of an External Quality Assessment of the internal audit service.

1 Background

- 1.1 Internal audit within the public sector is governed by the Public Sector Internal Audit standards (PSAIS) which have been in place since 2013 but were significantly updated from April 2017. Compliance with the standards is mandatory for all principal local authorities.
- 1.2 PSIAS aims to promote continued improvement in the professionalism, quality and effectiveness of internal audit services and a key element of this is to require audit services to have a periodic external assessment of compliance with the standards once every five years as part of the internal audit quality management programme.
- 1.3 The assessments aim to
 - Identify what internal audit are doing well
 - Support continuous improvement
 - Emphasise and enhance the standing of internal audit
- 1.4 At its meeting in September 2017 the Committee endorsed the arrangements for an EQA of the council's internal audit service during Quarter 4 2017/2018. This report presents the outcome of the assessment.

2.0 Approach to the Assessment

- 2.1 At its September meeting the Committee also considered a high level self-assessment against the standards which had been supported by an external expert and which showed that the service was well placed for a good outcome. A more detailed self-assessment was subsequently produced and provided to the assessor together with copies of key documents such as the Audit Charter, annual reports, plans and Audit Manual. This detailed self-assessment covered all aspects of the internal audit service provided to each of our clients.

- 2.2 The assessor spent a full week “on-site” during February during which time he interviewed the Chair of the audit committee and chief financial officer of all of our clients, reviewed in detail a number of audits undertaken by the service and scrutinised the self-assessment. During that week and subsequently additional information was requested by the assessor. Initial feedback was subsequently provided at a de-brief meeting after which a report was produced and discussed with the assessor.
- 2.3 The final report has recently been received and is attached (**Appendix A**) for consideration by the Committee.

3.0 Outcome

- 3.1 The Committee will note that the overall picture, from what has been a very rigorous and challenging assessment, is positive with the overall conclusion being that the service complies with the expectations of the Standards and out performs other audit services in local government. Audit reports can now include a statement of conformance with the Standards.
- 3.2 The report identifies a number of good practice points where the service can be enhanced even further. These will be considered by the Service and an action plan will be developed.
- 3.3 This is an excellent outcome and provides assurance to the Council over the quality of the internal audit service provided
- 3.4 The assessment covered the services provided to all clients and the report will therefore also be shared in due course with the audit committees of those organisations.

Background papers

1. None

	Name	Contact Information
Report Author	Garry Rollason	01926 412679
Head of Service	Sarah Duxbury	01926 412090
Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

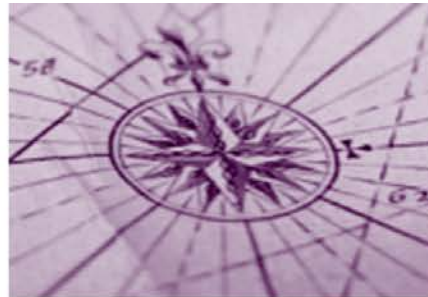
The report was circulated to the following members prior to publication:

Local Member(s): Not applicable
 Other members: Not applicable



Warwickshire County Council Internal Audit Service

External Quality Assessment February/March 2018



Section 1 – Introduction and purpose of assignment

Section 2 - Executive summary

Section 3 - Conclusion and overall assessment

Section 4 – Summary of good practice identified within EQA

Section 5 - Findings in relation to Resources

Section 6 – Findings in relation to Constitution

Section 7 – Findings in relation to Delivery

Section 8 - Comparison with peer groups

Section 9 – Stakeholder feedback

Section 10 - Performance against key standards

Appendices

Introduction and Purpose of assignment

The Internal Audit service for Stratford District Council, Warwickshire Council, Worcestershire Council, Warwickshire and West Mercia Police, Warwickshire and West Mercia Police and Crime Commissioners is provided by a shared services team under the leadership of Garry Rollason as Internal Audit and Insurance Manager (HoIA).

The team have responded to the introduction of the Public Sector Internal Audit Standards, receiving external advice regarding their standard methodology during 2017 and have as a result increasingly worked to a more consistent approach to delivery of internal audit services since expanding to include Worcestershire. Performance against the standard has been self-assessed on an annual basis and appropriate reports provided to member authority committee meetings.

The purpose of this review is to provide an external and independent quality review in accordance with standard 1312. We see this as not merely a compliance exercise and have also highlighted aspects of the service that we regard as best practice as well as summarised our thoughts as to where further development can be made to enhance the value of the service being provided.

The team of 18 FTE staff has significant experience, with a range of relevant qualifications and it has been recognised that there is a need to ensure a consistent approach to delivering assurance, as this is beneficial regarding communication with clients, working practices, reporting and therefore associated supervision and training needs. At a corporate level, this is established through the presence of an Internal Audit Charter, which effectively defines the standards to which the service will carry out its work and is supported by use of the Galileo software which introduces accepted processes and templates which the internal audit team utilises. The team adopts its own format for communication regarding the Terms of Reference for assignments and Internal Audit Reports.

The report reflects our opinion regarding the services currently provided as measured against the Public Sector Internal Audit Standards (PSIAS), which we trust will be of benefit to individual staff, the team and the local authorities serviced by the Internal Audit Service. Our observations and recommendations have been summarised within categories relating to the Resources, Constitution, and Delivery and the team graded as being at one of three stages within each category, grades are related to our opinion as to whether the service is developing, established or excelling.

The internal audit service has successfully responded to the expansion of the internal audit team and the introduction of new clients which inevitably led to a period of stabilisation in which the team moved towards a common approach that is now consistent with the PSIAS.

The significant change within the PSIAS reflects the focus on a requirement to implement a risk based internal audit approach to all aspects of internal audit work – significantly in relation to planning at a strategic and assignment level as well as in reporting. The service does adopt a risk based approach through the development of its own risk assessment at a strategic planning level, at an assignment level through recognition of risk register content and in testing schedules, although further development would be beneficial both in terms of recognising inherent risk and in terms of reflecting wider sector risk experience of the internal audit team within audit planning documents and terms of reference.

The client authorities have risk management strategies and associated frameworks; as a consequence, it would be beneficial for internal audit to further increase the alignment of its processes with the risk appetite of each client as this would promote effective communication, structure audit work on ‘what really matters’ and use risk as the basis for reporting. In this respect, we have recommended that future opinions and recommendations relate directly to established risk definitions within each client.

Further development of clients’ risk management approaches regarding the inherent risks being faced and upon those controls in place and assurances available would allow internal audit to more clearly define risks and key mitigating controls and therefore provide a robust basis for communication with managers and with other assurance providers.

The internal audit service has experienced periods of staff vacancies during 2017 which has hindered development however this position has been stabilised and as a result services are anticipated to benefit from a period of stability in which staff will remain consistent from April 2018. A further internal audit management position has been included within the new structures, at Deputy level, which will help in moving forward with a consistent quality of service. The HoIA makes use of external support, when appropriate, to ensure delivery of internal audit assurance needs, particularly in relation to IT audit.

A robust internal audit standard has therefore been maintained and delivered using an experienced team. This has allowed the service to demonstrate a level of compliance with the PSIAS which compares favourably against its peers.

Nevertheless, with increasing pressures on client budgets, significant change to service delivery and as a result increasing risk; there is a need for the service to continue to enhance its delivery through greater awareness of the relevance of risk to both the clients and its own approach, in order to ensure that it focuses on the most appropriate areas and as a result demonstrates that it provides a service that effectively contributes towards the achievement of each client’s objectives.

- The internal audit provision provided to Stratford on Avon District Council, Warwickshire County Council, Worcestershire County Council, Warwickshire and West Mercia Police, Warwickshire and West Mercia Police and Crime Commissioners by the Internal Audit Service at Warwickshire County Council complies with the expectations of the Public Sector Internal Audit Standards and compares favourably to other provision within the sector.
- The service receives positive feedback from the Audit Committee and Executive Management although there is recognition that restructuring of the team have caused problems with performance at a time when the service was also engaged in expanding its client base and retendering its IT audit framework contract.
- There are a number of areas in which the service can be further improved in relation to the use of risk based auditing which will provide increased levels of assurance to the clients and assist in improving its profile as well as the subsequent feedback that is received:
 - the service should continue to move to an approach that reflects full recognition of the risk factors recognised by each client both at a strategic planning level and when planning and conducting assignments, although this is to an extent dependent on further embedding risk management by clients.
 - the annual internal audit plan should be compiled on the basis of each clients risk register and documented discussions with Chief Officers,
 - the use of risk in relation to grading of recommendations and overall opinions should be reviewed to better reflect the risk appetite of each client and should reflect identification and escalation of recommendations graded as high that match risk definitions graded as 'red' or 'amber' within risk management systems.
 - the Annual Report of the HoIA should be enhanced to reflect the Internal Audit Charter and the PSIAS with assurance being related to awareness of the significant risks being faced by each client.
- The further development of risk management systems within each client to reflect an Assurance Framework would enable greater recognition of key mitigating controls and the other sources of assurance with which internal audit effort can be co-ordinated in order to support the Governance Statements process. It is envisaged that such progress will also enable the members of Audit Committees to become better engaged in internal audit planning as well as in terms of analysing recommendations and opinions contained in internal audit reports.
- Some revisions to the internal audit processes may be beneficial in terms of improving efficiency and transparency of the assurance being provided.

Summary of good practice identified within EQA

Standard	Good practice identified	Observation
1000	An Internal Audit Charter has been established and agreed with the Audit Committees	The Charter is comprehensive and establishes an appropriate framework against which internal audit services can be delivered in accordance with the PSIAS.
1312	The service has conducted annual self assessment exercises resulting in an annual development plan which is reported in the HoIA annual report.	Demonstrates a process and commitment to continuous improvement which is considered by Audit Committees
2020	Active engagement at officer and member level	Represents the establishment of a good understanding of key issues through interaction with positive feedback from officers.
2030	The service routinely assesses its training needs and discusses requirements with the Head of Law and Governance.	This represents a firm basis for the consideration of recruitment and training needs as well as the use of external support
2030	Detailed job descriptions are available against which appraisal and development meetings take place routinely.	Provides an established basis for recruitment and training within a scheme that is accredited by CIPFA.
2040	A detailed internal audit manual is in place.	Provides for a consistent methodology, within the service this is delivered through use of Galileo software and a series of templates within which a high standard of cross referencing between documents is achieved.
2060	Reports are produced using a standard template which is consistently applied. Customer feedback is routinely obtained following conduct of an audit.	Demonstration of a consistent approach for communication which is well received by management and the Audit Committees
2200/ 2300	The service uses an Engagement Planning Document, Terms of Reference and Risk Matrix template which are reviewed by a supervisor at an appropriate time.	Provides a basis for a methodical assignment in consultation with clients.

1	RESOURCES		Excelling – Processes in this area are fully embedded within every day practices and reflect best practice that is at least consistent with PSIAS expectations.
2	CONSTITUTION		Established – Processes in this area are embedded within every day practices, the EQA has identified a number of areas in which further development is desirable.
3	DELIVERY		Established – Processes in this area are embedded within every day practices, the EQA has identified a number of areas in which further development is desirable.

Summary stakeholder feedback (Chairs)

Question	A	B	C	D
Purpose	✓	✓	✓	✓
Understanding of Council requirements	✓	✓	✓	✓
Adequate assurance provided	✓	✓	✓	✓
Independence with contact outside of meetings	✓	✓	✓	✓
Status	✓	✓	✓	✓
Experience, skills and effective communication	✓	✓	✓	✓
Effective performance	✓	✓	✓	✓
Effective planning and priorities	✓	✓	✓	✓
Other relevant observations				

- a) It is anticipated that there are good working relationship with officers within the Council
- b) Embedding risk management as a concept throughout the organisation would help us all to understand assurances required and available
- c) There is still work to do on ensuring everyone understands risk management particularly at an operational level.
- d) Increased knowledge of risks would allow Audit Committee to provide greater input into internal audit plans.
- e) I welcome the pre-meetings with the HoIA before Audit Committees
- f) Contact with the HoIA outside of the Committee process does occur by phone and email
- g) Some training of the Audit Committee regarding PSIAS would be beneficial

Note: ✓ reflects positive feedback with observations above recognising that there are areas where further attention may be beneficial.

Summary stakeholder feedback (Officers)

Question	A	B	C	D	E
Purpose	✓	✓	✓	✓	✓
Understanding of organisations requirements	✓	✓	✓	✓	✓
Adequate assurance provided	✓	✓	✓	✓	✓
Independence with contact outside of meetings	✓	✓	✓	✓	✓
Status	✓	✓	✓	✓	✓
Experience, skills and effective communication	✓	✓	✓	✓	✓
Effective performance	✓	✓	✓	✓	✓
Effective planning and priorities	✓	✓	✓	✓	✓
Other relevant observations					

- a) Good contact with S151/Line Manager on a regular basis
- b) Good working relationship with officers within the Council
- c) Welcome the co-operation provided through advisory work
- d) Need to further embed risk management throughout the Council
- e) Some discussion regarding grading of recommendations
- f) The HoIA has regular contact with departments and Senior Managers and responds to issues raised
- g) Some delays in reporting have been experienced particularly when there were issues with staffing
- h) Would welcome greater benchmarking ability

Note: ✓ reflects positive feedback with observations above recognising that there are areas where further attention may be beneficial.

Compliance with PSIAS

- **Resources**

Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.

- **Constitution**

Charter, Internal Audit Manual, Planning and Allocation of staffing, Recruitment (Numbers and skills), Training (Professional and Technical), Appraisal and Development

- **Delivery**

Client engagement and relationship, Directed led service, Terms of Engagement (Audit/Assignment Brief), Discussion of assurance and advisory opinions, Reporting at assignment and strategic levels


Grading of recommendations

- The grading of recommendations is intended to reflect the relative importance to the relevant standard within the Public Sector Internal Audit Standards (PSIAS).

Recommendation grading	Explanation
Enhance	The internal audit service must enhance its practice in order to demonstrate transparent alignment with the relevant PSIAS in order to demonstrate a contribution to the achievement of the organisations objectives in relation to risk management, governance and control.
Review	The internal audit service should review its approach in this area to better reflect the application of the PSIAS.
Consider	The internal audit service should consider whether revision of its approach merits attention in order to improve the efficiency and effectiveness of the delivery of services



- In grading our recommendations, we have considered the wider environment within the clients in terms of both the degree of transformation that is currently taking place as well as our assessment of the level of risk maturity that currently exists as these will have a consequence for the conduct of internal audit planning as well as subsequent communication.





Business Vision and Mission, Governance arrangements, Recognition of standards, Guidance, Procedures and Supervision, Terms of Engagement, Ethics and business conduct.




	Issue identified	Recommended action
1	<p>Supervision</p> <p>The service demonstrates effective supervision of the progression of assignments when drafting terms of reference, the risk control matrix, testing and in clearance of draft/final reports.</p> <p>During each assignment staff undertaking fieldwork can discuss progress during 121 sessions or as needed however other than for 121s such supervision is not usually documented.</p>	<p>A record of supervision should be maintained throughout the assignment.</p> <p>This need not be an exhaustive commentary however key points arising from consultation should be recorded, perhaps as notes on the progress summary within Galileo.</p> 











	Issue identified	Recommended action
1	<p>Internal Audit Planning</p> <p>Whilst internal audit planning is being increasingly based upon a risk model as required by the PSIAS, the process largely depends at present on assessment devised by internal audit; rather than being able to transparently reflect the wider risk issues within operational areas due to the degree to which risk management is embedded.</p> <p>It is accepted that meetings with key stakeholders assist in defining the plan however notes of meetings reflect the nature of issues discussed and not those existing risks contained in strategic and operational risk registers (whether available or not)</p> <p>There is an identified link between the internal audit plan, content discussed with Management and the Audit Committee and the risk based reasoning for inclusion of the assignment in the audit plan, although this does not take a form that reflects an assurance framework or the consistent adoption of three lines of defence theory. The plan approved should focus on the perceived needs of all parties for independent assurance regarding key policies, procedures, controls and assurances upon which each client relies and in particular what risks exist that match the highest levels of impact as defined in risk management strategies. As clients embark upon and progress Transformation Plans this will become increasingly relevant.</p> <p>In turn this should drive preparation of the terms of reference for each assignment. The focus for assignments can therefore be shown to directly relate to the value of the 'control risk' and as a result an opinion based upon the robustness of the controls and assurances available to management and each client.</p>	<p>a. The audit planning process should increasingly be designed to reflect the assurance needs of the client through transparent alignment with the clients approach to risk management.</p> <p>The formation of a direct link with the client's risk register and the key mitigating controls, supported by documented discussions with Chief Officers and other managers regarding business critical risk would provide an effective risk based basis for future internal audit plans and create increased understanding and ability of members of the Audit Committee to contribute to the assurance agenda.</p> <p>Further embedding of robust risk management within clients would therefore be beneficial regarding all aspects of internal audit planning.</p> <p>b. The internal audit planning process should continue to be developed to identify and document other sources of assurance that are available and upon which the client can place reliance, and which may if available be formally recorded within the annual HoIA report and subsequently the Governance Statement.</p>


Constitution continued

	Issue identified	Recommended action
2	<p>Audit Manual</p> <p>The internal audit manual represents a comprehensive record of the practices to be followed by internal audit staff and aligns with the PSIAS.</p> <p>The significant emphasis of the PSIAS reflects the use of a risk based approach to internal audit work and in this respect it is felt that greater alignment with the risk management policies and appetite of each client would be beneficial.</p>	<p>a. The internal audit manual should be updated to reflect greater alignment with the risk management policies of the Council.</p> <p>Consideration should be given to amending the internal audit methodology by:</p> <ul style="list-style-type: none"> - Including an initial focus on what are the managements objectives for the area under review; - Changing the focus of each audit from identifying risk areas to identifying and agreeing with management the specific key risks to which the area under review is exposed. - increasing the focus on identifying, evaluating and testing controls and sources of assurance that demonstrate that residual risk is as stated within the client risk management process 
3	<p>Performance and Development Review (PDR)</p> <p>The annual performance review of the Head of Internal Audit Services is undertaken by the line manager as Head of Law and Governance at Warwickshire Council, in accordance with the approved policy.</p>	<p>The PDR process should be informed by inviting the Chairs of the Audit Committee and client s151 officers to provide input to the process.</p> 

	Issue identified	Recommended action
1.	<p>Assignment Planning</p> <p>The team use the Galileo system for tracking progress on assignments however use is not made of facilities to establish dates for completion of stages of the audit or completion of the assignment. Whilst it is recognised that there are occasions when auditee availability prevents early closure, setting of maximum time frames by which draft and final reports should be completed would assist in planning, communication with clients and timely completion of reports.</p> <p>The team recognise this as an issue and has been trying to address the matter internally and with clients.</p>	<p>a) Target times for completion of assignments should be established and communicated to clients at the outset of the work and be more rigorously enforced. </p> <p>b) Reporting deadlines should be imposed for the time allowed following completion of fieldwork for draft and final reports to be received by management. </p>
2.	<p>Terms of reference</p> <p>These are currently based upon a variety of sources and outline key risk areas or areas of focus which are then supported by a range of controls which will then be tested.</p> <p>As such the key risks are not explicitly identified.t.</p> <p>A better basis for developing the assignment may be to think in terms of management objectives and then reflect upon the clients risk register and if not transparent, a discussion with local management regarding what risks will prevent achievement of the management objective. Assurance would then provide comfort that the position stated reflected the control risk and that residual risk was a correct reflection of the client's risk appetite.</p>	<p>a) Terms of Reference should reflect the control risks specified within the clients Risk Management Strategy as this would both enhance embedding risk management within the client and provide for a better basis of communication with stakeholders. </p> <p>b) Where the risk management system does not include such detail planning documents should be based upon a discussion with management to establish management objectives and the inherent risks to the area under review. </p>


	Issue identified	Recommended action
3	<p>Closing meetings</p> <p>The Internal Audit manual refers to creating a document to inform discussion at the closing/exit meeting with clients. At present, it is understood that the draft audit report is often used as a basis for an exit meeting with management, although there are instances where either a wrap-up meeting does not occur or is not documented on a consistent basis.</p> <p>Such an inconsistent approach may cause two problems being:</p> <ul style="list-style-type: none"> a) Discussion with the client is delayed until the draft report is drafted and agreed by internal audit management. b) Factual inaccuracies or misunderstanding arising from internal audit fieldwork may not be revealed until the draft report is produced leading to potential additional delays in completion of assignments. <p>The HoIA expects staff to raise significant issues with management as they arise, although this does not negate the need for and benefit that arises from conduct of a formal exit meeting.</p>	<ul style="list-style-type: none"> a) The HoIA should consider whether in using production of the eventual draft report as the basis for the closure meeting, this fully engages the auditee in the outcomes process on a timely basis at the completion of the fieldwork stage.  b) An exit meeting template could be introduced to support communication regarding the findings of the audit however if auditors are to use the draft report as the basis for discussion they should as a matter of course scan and save on the system any notes taken as part of the exit meeting process in order to support and evidence communication and production and finalisation of the report. 
4	<p>Reports</p> <p>The review observed considerable time between commencement of an audit and delivery of a final report. Some of the delays have occurred due to staff changes and vacancies, with other reasons relating to timescales in receipt of feedback on Terms of Reference and management responses from clients.</p> <p>Nevertheless it is important that reports are delivered on a timely basis in order to ensure that recommendations are identified and acted upon in a timely manner.</p>	<p>In connection with point 1 above, assignment planning should include a planned start and completion time which should be co-ordinated with schedules for reporting to both management teams and Audit Committees. </p>

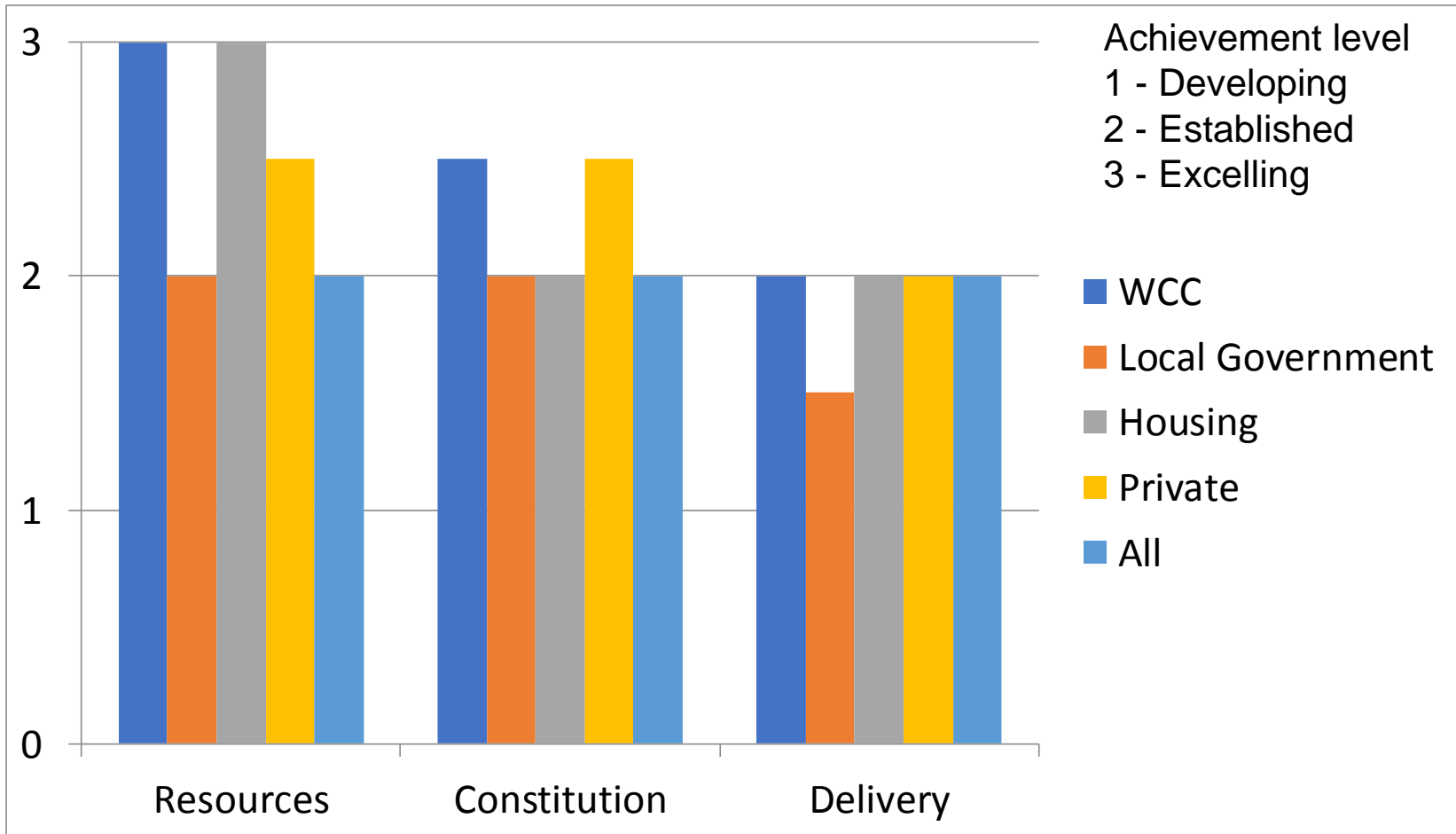
	Issue identified	Recommended action								
5	<p>Audit Opinions - Recommendations</p> <p>These are currently developed and assessed by each internal auditor, prior to release of the draft report and which include a grading of the recommendations being made against definitions of risk and shown as priority indicators</p> <table border="1" data-bbox="204 625 993 1033"> <thead> <tr> <th>Priority</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td></td> <td> Fundamental: Action that is considered imperative to ensure that the organisation is not exposed to high risks. Major adverse impact on achievement of organisation's objectives if not adequately addressed. </td> </tr> <tr> <td></td> <td> Significant: Action that is considered necessary to avoid exposing the organisation to significant risks. </td> </tr> <tr> <td></td> <td> Merits Attention: Action that is considered desirable and should result in enhanced control or better value for money. Minimal adverse impact on achievement of the organisation's objectives if not adequately addressed. </td> </tr> </tbody> </table> <p><small>These definitions are illustrative only and professional judgement is exercised when determining the priority rating of recommendations</small></p> <p>These definitions are generic and leave room for significant personal judgement of the internal auditor and supervisor.</p> <p>Each client risk management system contains specific guidance regarding to how impact risk is defined and use of these would enable gradings to be directly aligned with the clients risk appetite.</p> <p>(Continued over)</p>	Priority	Explanation		Fundamental: Action that is considered imperative to ensure that the organisation is not exposed to high risks. Major adverse impact on achievement of organisation's objectives if not adequately addressed.		Significant: Action that is considered necessary to avoid exposing the organisation to significant risks.		Merits Attention: Action that is considered desirable and should result in enhanced control or better value for money. Minimal adverse impact on achievement of the organisation's objectives if not adequately addressed.	<p>a) Risk definitions used by internal audit should be developed to reflect the risk appetite within each organisation, and the definitions of impact and likelihood used by the client. Explanation of the use of these gradings should be included in all reports.</p> <p>It is recognised best practice to use terminology such as High, Medium and Low or Fundamental, Significant and Merits Attention (as used by the team) when making recommendations and linked to the client's risk management system.</p> 
Priority	Explanation									
	Fundamental: Action that is considered imperative to ensure that the organisation is not exposed to high risks. Major adverse impact on achievement of organisation's objectives if not adequately addressed.									
	Significant: Action that is considered necessary to avoid exposing the organisation to significant risks.									
	Merits Attention: Action that is considered desirable and should result in enhanced control or better value for money. Minimal adverse impact on achievement of the organisation's objectives if not adequately addressed.									

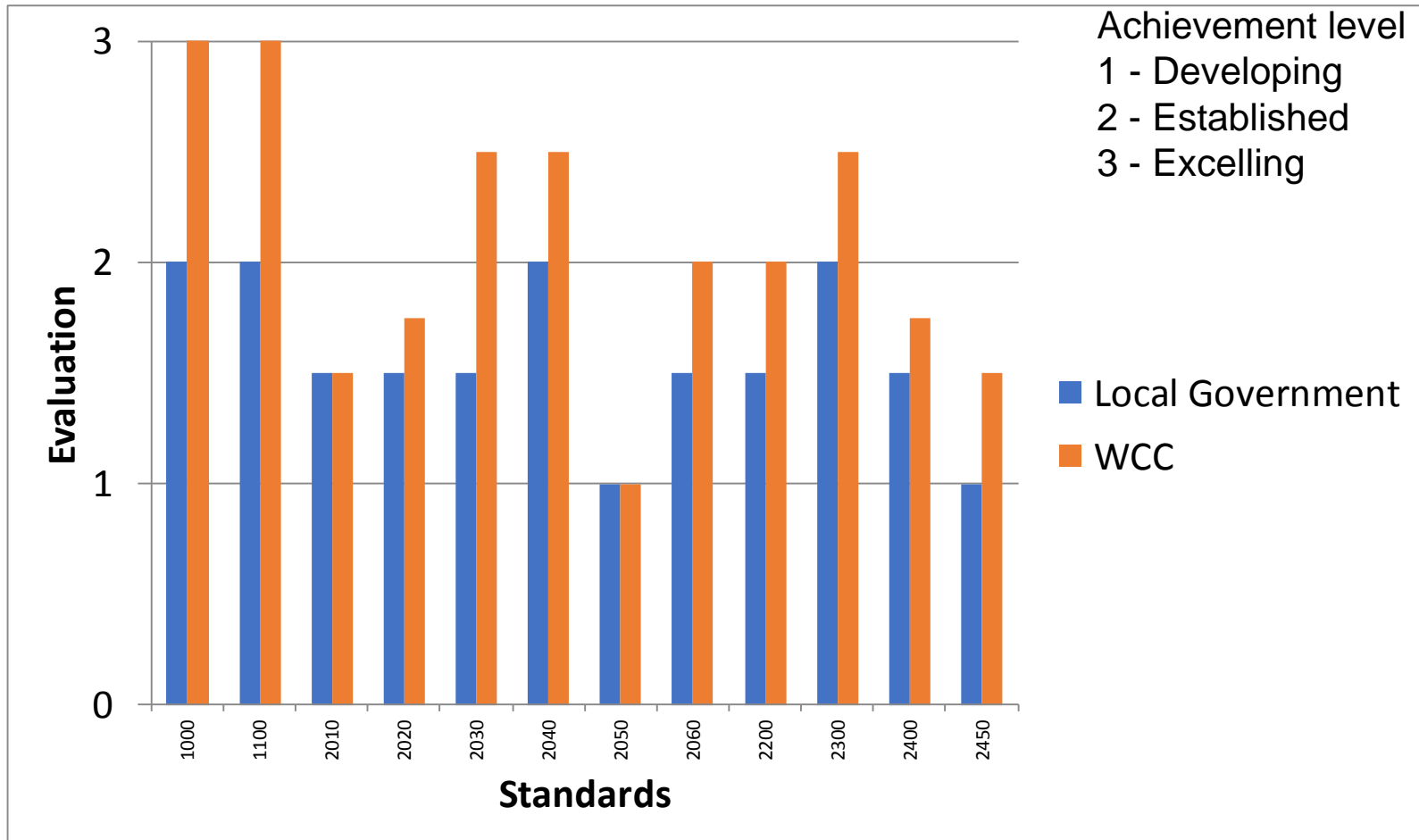
	Issue identified	Recommended action
5 cont		<p>c) Consideration should be given to removing the need to include 'low' rated recommendations in formal audit reports; alternatively reflecting on these in discussion at the closure meeting and confirmed in a side letter or email to the manager. This would aid the profile of internal audit through concentrating on things that really matter in relation to significant risk as defined within risk management policies.</p> <p>It is recognised that current practice provides for minor points to be subject to discussion rather than be included in the formal report.</p> 

	Issue identified	Recommended action								
6	<p>Audit Opinions - Overall opinions</p> <p>These are currently based upon the personal judgement of each auditor, relating to the degree of risk perceived, although the definition of high risk is not related to that stated in the clients Risk Management Strategy (refer to observations above) and is subject to review by the supervisor and HoA of the draft report prior to release.</p> <p>The overall opinion is based largely on the aggregate of the number of recommendations and their level as shown below.</p> <div data-bbox="247 772 823 1296" style="border: 1px solid green; border-radius: 50%; padding: 10px; margin: 10px auto; width: fit-content;"> <p>Professional judgement has to be exercised when deciding on the overall opinion but as a guide and to promote consistency:</p> <table border="1" data-bbox="324 949 736 1133"> <tbody> <tr> <td>Full</td> <td>2 or less merits attention recommendations.</td> </tr> <tr> <td>Substantial</td> <td>1 or 2 substantial recommendations combined with some merits attention</td> </tr> <tr> <td>Moderate</td> <td>3 to 5 significant recommendations with some merits attention</td> </tr> <tr> <td>Limited</td> <td>1 or 2 fundamental recommendations (may also have some substantial recommendations) OR 6 or more significant recommendations</td> </tr> </tbody> </table> <p>All audit recommendations and overall opinions should be substantiated by evidence gathered throughout the audit</p> </div> <p>(continued over)</p>	Full	2 or less merits attention recommendations.	Substantial	1 or 2 substantial recommendations combined with some merits attention	Moderate	3 to 5 significant recommendations with some merits attention	Limited	1 or 2 fundamental recommendations (may also have some substantial recommendations) OR 6 or more significant recommendations	<p>a) The grading of reports should be based upon the level of risk exposure identified within the review and reflect the highest ranked recommendation being reported upon.</p> <p>Best practice would reflect:</p> <ul style="list-style-type: none"> - Where a fundamental risk (red) is identified that limited assurance is given. - Where significant risks (amber) are identified then adequate assurance is given, and - Where ‘merits attention’ (green) risks are identified these are not referred to in the report and substantial assurance is given. <p>An example basis for arriving at opinions is included as Appendix A.</p> <p>b) Reducing the levels of opinion to three would provide a clearer indication of the assurance being provided and represent a more straight-forward and consistent approach for internal audit staff to administer.</p> <p>We do not believe that the use of the term ‘full assurance’ remains realistic given that the scope of each review cannot consider the entirety of the process within a risk based approach.</p>
Full	2 or less merits attention recommendations.									
Substantial	1 or 2 substantial recommendations combined with some merits attention									
Moderate	3 to 5 significant recommendations with some merits attention									
Limited	1 or 2 fundamental recommendations (may also have some substantial recommendations) OR 6 or more significant recommendations									

	Issue identified	Recommended action
6 cont	<p>Audit Opinions - Overall opinions (cont)</p> <p>The internal audit service currently uses four levels of opinion being – Full, Substantial, Moderate and Limited, with the diagram above being included in the final report to support the opinion.</p> <p>The combination of the adequacy of the control framework and its application should be linked to the risk management strategy and reflects the highest levels of risk identified. That is to say if a recommendation attracts a red rating this reflects a fundamental business risk and the report should immediately attract a limited assurance rating rather than give flexibility.</p> <p>Wider best practice provides for three levels of opinion being substantial, adequate (reasonable) or limited as this provides a clear indication to stakeholders of the level of assurance that can be gained. It is suggested therefore that an opinion expressing ‘full assurance’ should be avoided due to the focused nature of each assignment.</p> <p>This opinion can then be aligned directly with the nature of the risks being identified and the grading of those recommendations being made.</p>	

	Issue identified	Recommended action
7	<p>Annual Report</p> <p>The HoIA produces an Annual Internal Audit report which summarises the years work and includes analysis of performance. The opinion provided within the report should reflect a format that takes account of all information and sources of assurance available to the HoIA and therefore:</p> <p><i>‘must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board’.</i></p> <p>The Internal Audit Charter reflects this guidance and states in page 2 that the Authority will:</p> <p><i>“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.”</i></p> <p>The HoIA Annual Report uses the following terminology:</p> <p><i>“In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived”.</i></p> <p>The opinion is then restricted to an opinion regarding the control environment.</p>	<p>In alignment with recommendations made earlier, the internal audit plan should be constructed to provide an explicit link to risk and the other assurances available, so that the HoIA is able to provide wider assurance to the client in support of the governance statement.</p> <p>It is accepted practice that the opinion should reflect the adequacy and effectiveness of risk management, governance and control rather than use the generic term ‘control environment’.</p> <p>Best practice is that the Annual Report should also contain reference to all significant risks and therefore co-ordination with and an understanding of issues being raised by the range of assurance sources available is essential in order to meet this broader scope. There is evidence that such assurances are being made in annual reports in relation to major pieces of work providers by other parties.</p> <p>An example of the words which may be used has been provided in Appendix B.</p> 





Key PSIAS Standards assessed

(for benchmarking purposes)

Standard		Focus
1000	Purpose, Authority and Responsibility	The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.
1100	Independence and Objectivity	The internal audit activity must be independent, and internal auditors must be objective in performing their work.
2010	Planning	The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.
2020	Communication and approval	The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.
2030	Resource Management	The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.
2040	Policies	The chief audit executive must establish policies and procedures to guide the internal audit activity.
2050	Co-ordination	The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
2060	Reporting	The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.
2200	Engagement planning	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
2300	Work programme	Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
2400	Communicating results	Internal auditors must communicate the results of engagements
2450	Overall opinions	When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.

Appendix A

- an example 'Basis for opinions'

KEY FOR RECOMMENDATIONS (IN RELATION TO THE SYSTEM REVIEWED)

Fundamental (F)	- The organisation is subject to levels of fundamental risk where immediate action should be taken to implement an agreed action plan. In the Colleges Risk Management Policy this approximates to the Risk Grading - Catastrophic
Significant (S)	- Attention to be given to resolving the position as the organisation may be subject to significant risks. In the Colleges Risk Management Policy this approximates to the Risk Grading - Major
Merits Attention (MA)	- Desirable improvements to be made to improve the control, risk management or governance framework or strengthen its effectiveness. In the Colleges Risk Management Policy this approximates to the Risk Grading - Minor

OVERALL OPINION (ASSURANCE)	FRAMEWORK OF CONTROL	APPLICATION OF CONTROL	EXPLANATION	TYPICAL INDICATORS
Substantial (Positive opinion)	Good	Good	The control framework is robust, well documented and consistently applied therefore managing the business-critical risks to which the system is subject.	There are no fundamental or significant recommendations attributable to either the Framework or Application of Control.
Adequate (Positive opinion)	Good	Appropriate	As above however the audit identified areas of non-compliance which detract from the overall assurance which can be provided and expose areas of risk.	There are no fundamental recommendations surrounding the Framework of Control; coupled with no fundamental and no more than two significant recommendations attributable to the Application of those controls.
	Appropriate	Good	The control framework was generally considered sound but with areas of improvement identified to further manage the significant risk exposure; controls were consistently applied.	There are no fundamental recommendations attributable to the Framework of Control.
	Appropriate	Appropriate	As above however the audit identified areas of non-compliance which expose the organisation to increased levels of risk.	There are no fundamental recommendations attributable to the Framework and Application of Control.
Limited (Negative opinion)	Good / Appropriate	Weak	As above however the extent of non-compliance identified prevents the Framework of Control from achieving its objectives and suitably managing the risks to which the organisation is exposed.	There are more than two significant recommendations attributable to the Application of Controls.
	Weak	Good / Appropriate	The control framework despite being suitably applied is insufficient to manage the risks identified.	There are more than two significant recommendations attributable to the Framework of Controls.
	Weak	Weak	Both the Framework of Control and its Application are poorly implemented and therefore fail to mitigate the business-critical risks to which the organisation is exposed.	There are fundamental recommendation(s) attributable to either or both the Framework and Application of Controls which if not resolved are likely to have an impact on the organisations sustainability.

The above is for guidance only; professional judgement is exercised in all instances.

Example wording for positive annual opinion

As the internal audit service provider to the organisation, I am required as the Head of Internal Audit to provide the organisation and the Chief Executive with a statement on the adequacy and effectiveness of the organisation's risk management, control and governance processes.

In giving an opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the organisation is a reasonable assurance there are no major weaknesses in the organisation's risk management, control and governance processes.

In assessing the level of assurance to be given, the following have been taken into account::

- All audits undertaken during the year;
- Any follow-up action taken in respect of audits from previous periods;
- Significant recommendations not accepted by management or acted upon and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- Matters arising from previous reports to the organisation;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resources constraints may impinge on the Head of Internal Audit's ability to meet the full audit needs of the organisation;
- What proportion of the organisation's audit need has been covered to date; and
- The results of work performed by other assurance providers including the work of the financial statement auditors (if applicable).

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness (or inadequacy and ineffectiveness) of the organisation's risk management, control and governance processes.

Overall in our opinion, based upon the reviews performed during the year, the organisation:

- has adequate and effective risk management arrangements;
- has adequate and effective governance; and
- has adequate and effective control processes.

Audit & Standards Committee

24 May 2018

Internal Audit Annual Report 2017 / 2018

Recommendation

That the Committee considers the results of internal audit work completed during 2017/2018.

1 Key Issues

- 1.1 This report summarises the results of internal audit work carried out in the year ended 31 March 2018 and provides an overall opinion on the Authority's control environment.
- 1.2 This report will also be considered by Corporate Board on 23rd May 2018.

2.0 Options and Proposal

- 2.1 Not applicable

3.0 Timescales associated with the decision and next steps

- 3.1 Following consideration by the Committee the report will be placed on the Authority's web-site.

Background papers

1. None

	Name	Contact Information
Report Author	Garry Rollason	01926 412679
Head of Service	Sarah Duxbury	01926 412090
Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: Not applicable

Internal Audit Annual Report 2017/18

“Providing assurance on the management of risks”



*Working for
Warwickshire*

Internal Audit Annual Report 2017/18

“Providing assurance on the management of risks”

This document summarises the results of internal audit work during 2017/18 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the Authority’s control environment.

Opinion

Based upon the results of work undertaken during the year my opinion is that the Authority’s control environment provides substantial assurance that the significant risks facing the Authority are addressed.

Context

This report outlines the work undertaken by the internal audit between 1 April 2017 and 31 March 2018.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the Authority, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Internal Audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support the Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards.

The primary role of audit 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. The service helps the Council achieve its objectives and provide 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.

Internal audit work during 2017/18

The underlying principle to the 2017/18 plan was risk and accordingly audits were only completed in areas that represent an *'in year risk'*.

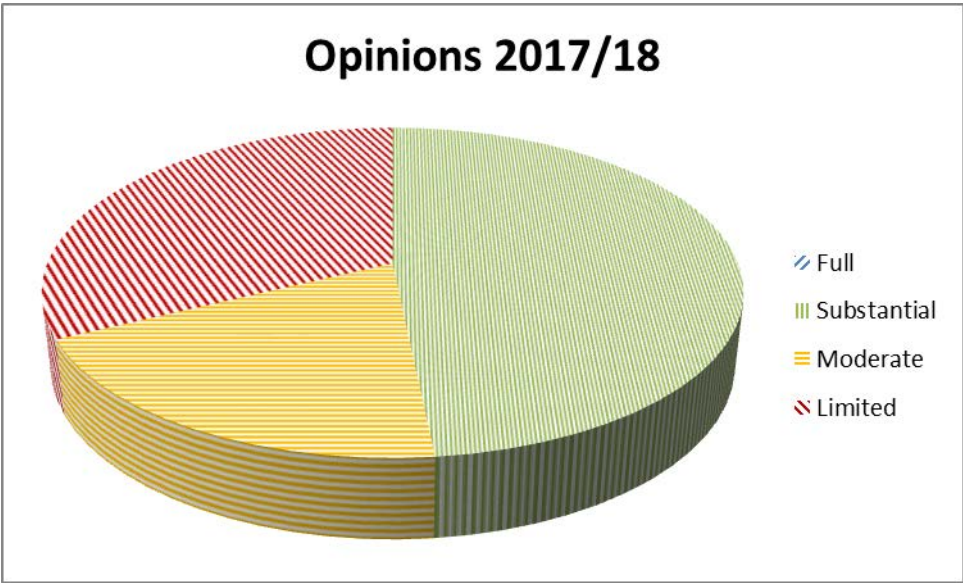
The methodology adopted in preparing the plan, and the plan itself, were approved by the Audit and Standards Committee on 1 June 2017.

Since the original plan was approved a number of additional audits have proved necessary, some planned audits were no longer required and a significant amount of time was required on advisory and investigative work. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation. The net effect is that although the work undertaken during the year was different to that anticipated 12 months ago, I am pleased to report that, although delivery has been impacted by long term sickness and maternity leave, in terms of total number of days 90% of the plan was achieved.

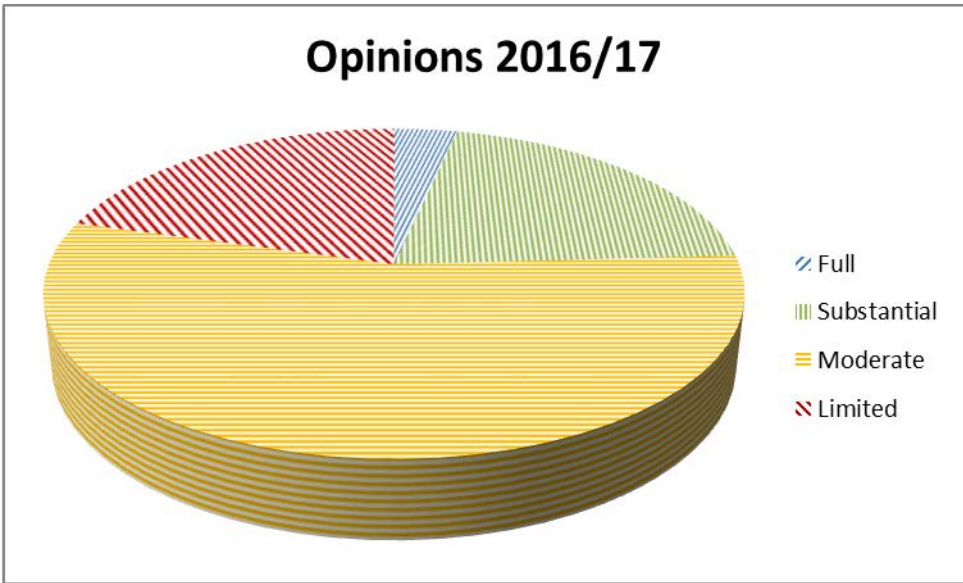
Summary of assurance work

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls. The Audit and Standards Committee has received regular reports during the year summarising audits undertaken.

As shown in the following chart the results of this year's audits are positive with the majority having a moderate or substantial opinion although there is a significant proportion of audits where controls provided only Limited assurance that significant risks were being addressed. Most of these relate to specific areas rather than represent an across the board breakdown in controls but there are some topics which have a wider impact. It will be noted that the majority of school audits have resulted in a limited opinion. This should not be taken as indicative of the picture at all maintained schools since the majority of these audits were undertaken at the request of the Council because of known or suspected issues at the schools concerned. The key issues arising from limited opinion audits have been reported to the Audit & Standards Committee.

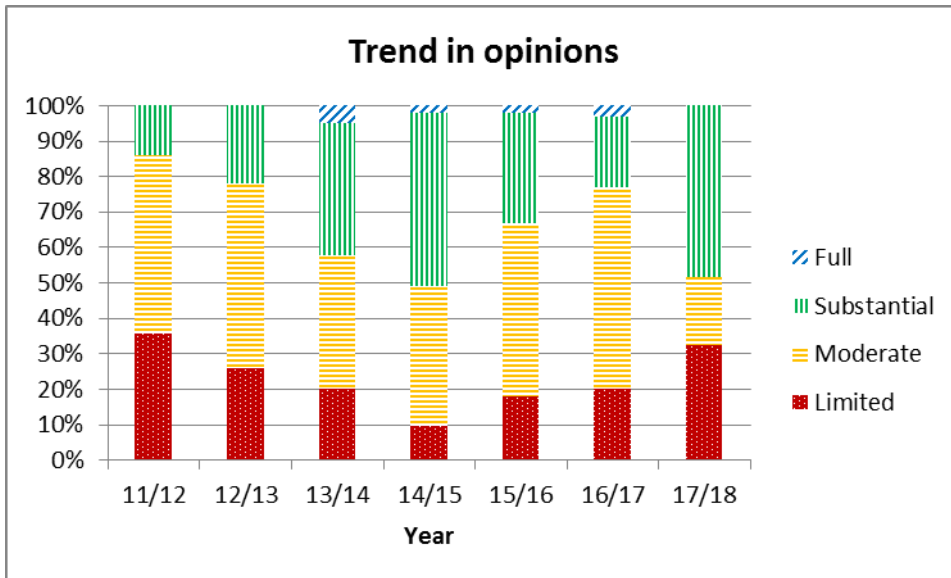


This compares favourably with the outcome for 2016/17:



A full list of the assurance work completed during the year is given in Appendix A.

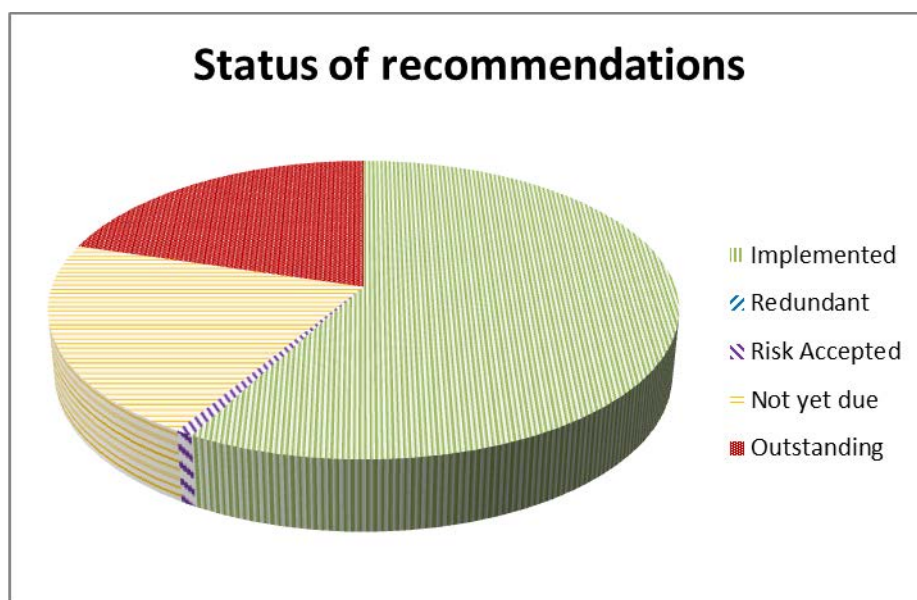
The outcome of this year's audits shows an increase in the proportion of audits given the lower levels of opinion as shown in the following chart.



Of course the audit plan includes different topics each year so caution is needed when interpreting this chart. A number of “limited” opinions are to be expected each year especially as the audit planning processes and our limited resources means that increasingly only those areas with a high degree of change or risk are included in the plan. The increasing pressures and extent of change facing the Authority may also be a factor. This report will also be presented to Corporate Board who will consider the implications of the trend.

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental.

During the year around 130 recommendations were made to address weaknesses in control which would otherwise not have been identified. As shown in the following chart significant progress has been made in implementing these recommendations.



Summary of non-assurance work

Special investigations

The size and complexity of the County Council means that some irregularities are inevitable and therefore, in addition to planned assurance work, a small number of special investigations were needed during the year and the significant issues arising were reported to the Audit and Standards Committee during the year. One of these resulted in the perpetrator being sentenced to a custodial sentence. The Audit and Standards Committee has considered a detailed report on the circumstances and remedial action has been taken to address the control weaknesses identified. The control issues are isolated to the team concerned and hence do not impact the Council's overall control environment.

Suspected frauds can be reported to our dedicated fraud hotline 01926 412052 or by email to tellusaboutfraud@warwickshire.gov.uk

Advice

Internal audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. During the year therefore the service continued to provide consultancy input into a number of topics. The main contributions were on the replacement for the Authority's social care client record system and a replacement HR/payroll system. Advice was also provided on a range of minor changes to financial processes.

Certification

Audit has traditionally carried out a small amount of work in relation to the certification of accounts for miscellaneous County Council related funds and is required to certify a small number of grant claims the main ones relating to the Troubled Families Programme. These were all cleared satisfactorily.

Effectiveness

This section of the report sets out information on the effectiveness of the service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

When the standards were first introduced a number of actions were identified to improve compliance and periodic self-assessments completed to identify any further areas for improvement. The latest self-assessment was completed in 2017 and was validated by an external expert prior to reporting to the Audit & Standards Committee. This was a precursor to a full externally conducted quality assessment of the service conducted during 2017/8. The report of that assessment states that the audit service “complies with the expectations of the Public Sector Internal Audit Standards and compares favourably to other provision within the sector.”



The report makes a number of recommendations to further improve the service provided and a detailed report on the outcome of the assessment will be presented to the Audit & Standards Committee with an action plan in due course.

In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following most audits a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

The post audit questionnaire responses returned continue to be good with the average score from all surveys returned during 2017/18 being 4.5 out of a maximum of five, and a number of positive comments and compliments about the service provided have been received, including:

- Thank you for your support during the audit process I look forward to working with your team on other audits.
- The Auditor is easy to approach, has a good understanding of the subject matter and is open to suggestions and helpful in his replies. Always good humoured too.
- I like the collaborative style – it felt like I was part of the process and wasn't being 'done to'
- The interaction and helpfulness from the Auditor - she took her time to understand the business
- Keeping us updated as timings slipped for a number of reasons

It is clearly important for any audit service to keep abreast of best professional practice. The internal audit service is fortunate in having strong links with colleagues both within the midlands and nationally. The Service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. The secretary of the Cipfa audit panel regularly briefs heads of audit on new developments in the profession. At a regional level there are networking opportunities for auditors specialising in adult social care, fraud and police. As well as good opportunities for continuing professional development and sharing best practice these activities provide advance information on new developments which can be reflected in the audit plan.

The Authority can be confident that a good quality internal audit service continues to be provided.

Opinion

It is the responsibility of the County Council to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement / loss or eliminate risk, nor can Internal Audit give that assurance. The work of internal audit is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- audits which are in draft and where a management response is awaited;
- any follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- the effect of non-assurance work undertaken during the year;
- the content of the Annual Governance Statement which states that there have been no governance failures during the year;
- the effect of any significant changes in the Authority's systems; and
- matters arising from previous reports to members.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, it is clearly important that issues identified during the year are addressed.

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's governance, control and risk processes.

Based upon the results of work undertaken during the year my opinion is that the Authority's governance, control and risk management provides substantial assurance that the significant risks facing the Authority are addressed.

Summary of audits completed during the year.¹

Audit		Level of Assurance
	Corporate	
1	Corporate Consultation	Substantial
2	Contract Management	Limited
3	Management of Consultants	Limited
4	Pre-employment checks	Limited
	Communities	
5	s106 Agreements	Substantial
	People	
6	Child Protection - Dual Status	Substantial
7	Permanence Arrangements	Substantial
8	SEND (Previously Integrated Disability Services)	Moderate
9	Adult Social Care Plan Reviewing	Limited
10	Section 17 Payments	Moderate
11	Missing Children	Substantial
12	Asylum Seekers / care leavers	Limited
	Resources	
13	Capital Accounting-Programme	Substantial
14	Mobile Devices and Endpoint Security	Moderate
15	Service Desk Operation and Management	Substantial
16	Unix Security	Substantial
17	Information Security Management	Moderate
	Pension Fund	
18	Governance and Strategy	Substantial
19	Pensions administration	Substantial
20	Investment management	Substantial
	Schools	
21	Southam Primary School	Moderate
22	Trinity Catholic School - A Specialist Arts and Technology College	Limited
23	The Willows	Limited
24	Round Oak	Limited

¹ Note that some of these audits started in 2016/17

Summary of audits awaiting management comments at year end.

Audit		Level of Assurance
	Communities	
1	Fleet Management / Transport	Moderate
	People	
2	Fostering	Substantial
3	Domiciliary Care	Substantial
	Resources	
4	Fire and Rescue IT Management	Limited
5	Cyber risks	Substantial
6	Web site security	Substantial
	Schools	
7	Dunchurch Boughton	Limited

G Rollason
Internal Audit and Insurance Manager

Audit & Standards Committee

24 May 2018

Annual Governance Statement 2017/2018

Recommendation(s)

That the Committee endorse the:

1. results of the review of internal control;
2. draft annual governance statement for the County Council.

1.0 Key Issues

- 1.1 The Accounts and Audit Regulations 2015 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).
- 1.2 The draft AGS is reported to this meeting of the Committee as it is good practice for a draft annual governance statement to be considered by members as soon as possible after the end of the financial year and also so that an agreed draft can be made available to the external auditors for their review.
- 1.3 The AGS enables the Authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It also reflects future challenges facing the Authority and how they will be managed.
- 1.4 The AGS has been produced in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The framework sets out seven core principles of governance that underpin the Council's Local Code of Corporate Governance and AGS:
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Delivering outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the interventions necessary to optimize the achievement of the intended outcomes;

- Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

1.5 A key element of governance is the control environment, which CIPFA defines as comprising 'the systems of governance, risk management and internal control'. Key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives;
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded;
- ensuring the economical, effective and efficient use of resources, and for securing continuous improvement;
- the financial management of the organisation and the reporting of financial management; and
- the performance management of the organisation and the reporting of performance management'.

2.0 The Assurance Gathering Process

2.1 **Appendix 1** illustrates the steps for the process of reviewing the authority's control environment and gathering assurance about the effectiveness of the system in order to produce the annual governance statement. The review was carried out by a Panel consisting of:

- Jane Pollard, Legal Services Manager
- Phil Evans, Head of Community Services
- Rob Moyney, Deputy Chief Fire Officer
- Dave Pemberton, Area Commander – Service Improvement
- Tricia Morrison, Head of Performance & Interim Head of ICT Services
- Chris Lewington, Head of Strategic Commissioning
- Garry Rollason, Internal Audit and Insurance Manager

2.2 In carrying out their review, the Panel scrutinised the strategic risk register prepared by senior managers and approved by Corporate Board and considered the following:

- the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- the approach of the authority to identifying principal risks to the achievement of those obligations and objectives;
- the key control frameworks that the authority has in place to manage its principal risks; and

- any potential gaps in the governance and control frameworks.
- 2.3 In addition Heads of Service have completed assurance statements confirming that they have complied with the risk management framework throughout the year for the identification and management of risks within their Services. Consideration was also given to the results of reviews carried out by external agencies during the year.
- 2.4 The Internal Audit Annual Report for the year ended 31 March 2018 has to be considered at the same time as this statement. The Annual Report is also included on the agenda for this meeting.

3.0 Findings of the Review

- 3.1 As part of the annual governance statement process for 2017/18, the Panel considered the strategic risks agreed by Corporate Board, and informed by all Heads of Service. The Panel was also mindful of the following factors in determining what constitutes a significant issue:
- The issue has severely prejudiced or prevented achievement of a principal objective
 - The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of business
 - The issue has led to a material impact on the accounts
 - The Audit and Standards Committee has advised that it should be considered significant for this purpose
 - The Internal Audit and Insurance Manager has reported on it as significant, for this purpose, in the annual opinion on the internal control environment
 - The issue, or impact, has attracted significant public interest or has seriously damaged the reputation of the organisation
 - The issue has resulted in formal action being taken by the Chief Financial Officer or the Monitoring Officer.
- 3.2 CIPFA guidance also states that ‘a ‘good’ governance statement should be ‘an open and honest self-assessment of the organisation’s performance across all of its activities [and] it is inevitable that, where the process of review has been rigorous and robust, issues will be identified that the organisation will need to address.’
- 3.3 Although the risks outlined are major challenges for the Authority the panel do not judge any of them to be significant governance issues. The Council has not experienced any significant governance failures during the last year. The proposed AGS was further scrutinised by the Section 151 Officer, Monitoring Officer and Joint Managing Director.

- 3.4 A draft annual governance statement reflecting the panel's findings is attached in Appendix 2. The Committee is invited to scrutinise the draft annual governance statement.

4.0 Timescales associated with the decision and next steps

- 4.1 Following consideration of the draft AGS by the Committee it will be presented to the external auditors for review. After completion of the audit of the accounts, any changes suggested by external auditors will be reported to the July meeting of this Committee and to Cabinet. The draft AGS will then be reported to Council for approval.

Background papers

None

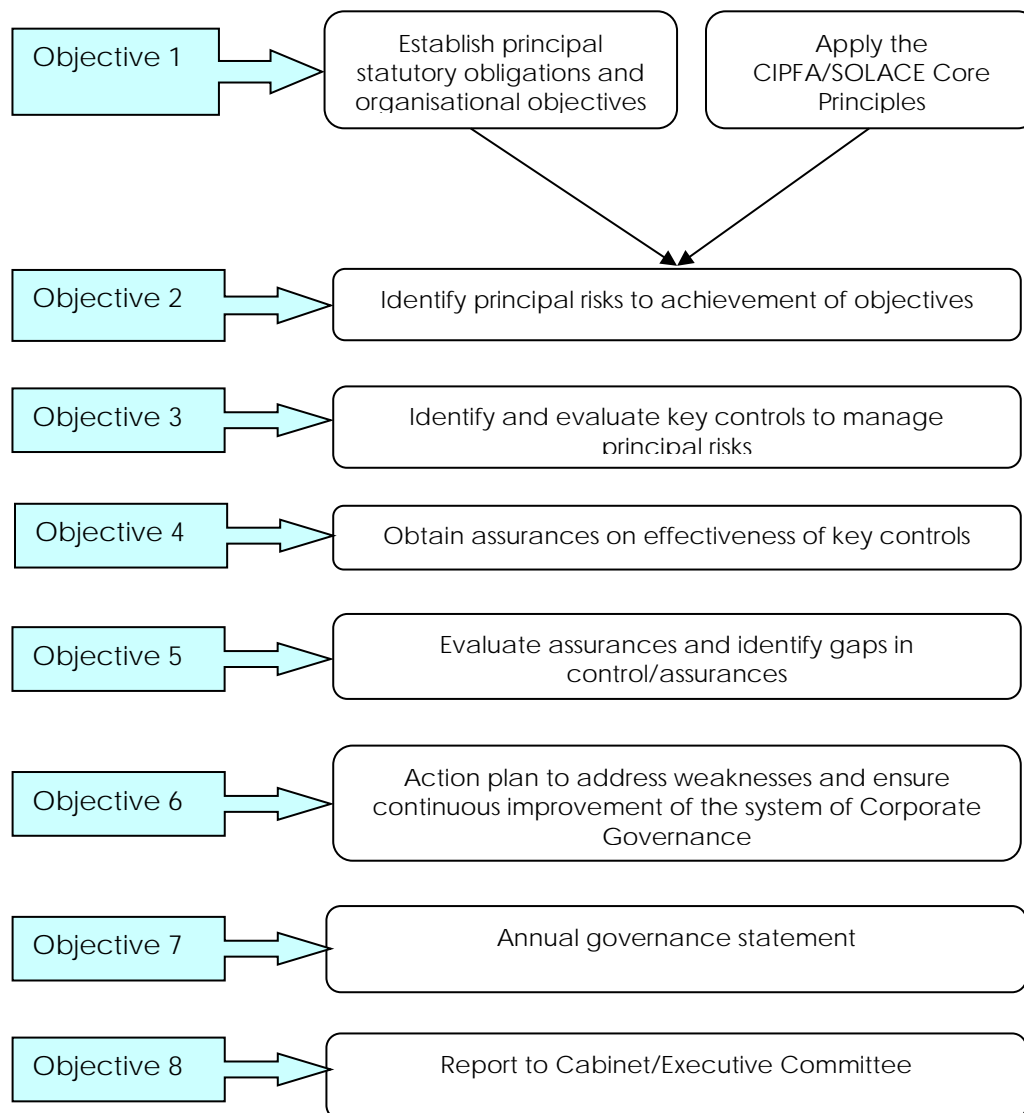
	Name	Contact Information
Report Author	Garry Rollason Internal Audit and Insurance Manager	garryrollason@warwickshire.gov.uk Tel: 01926 412679
Head of Service	Sarah Duxbury	01926 412090
Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: None

Appendix 1: Review of Annual governance statement and the Assurance Gathering Process



Annual Governance Statement

Year ended 31 March 2018

DRAFT



*Working for
Warwickshire*

Annual Governance Statement 2017/18

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1. What are we responsible for?

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016)*. Further information is on our website: <http://www.warwickshire.gov.uk/corporategovernance>

This statement explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of the Accounts and Audit Regulations 2015.

2. The aim of the governance framework

The framework allows us to monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us deliver appropriate services that demonstrate value for money.

The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failing to achieve our policies, aims and objectives, so it can only offer reasonable assurance and not absolute assurance of effectiveness.

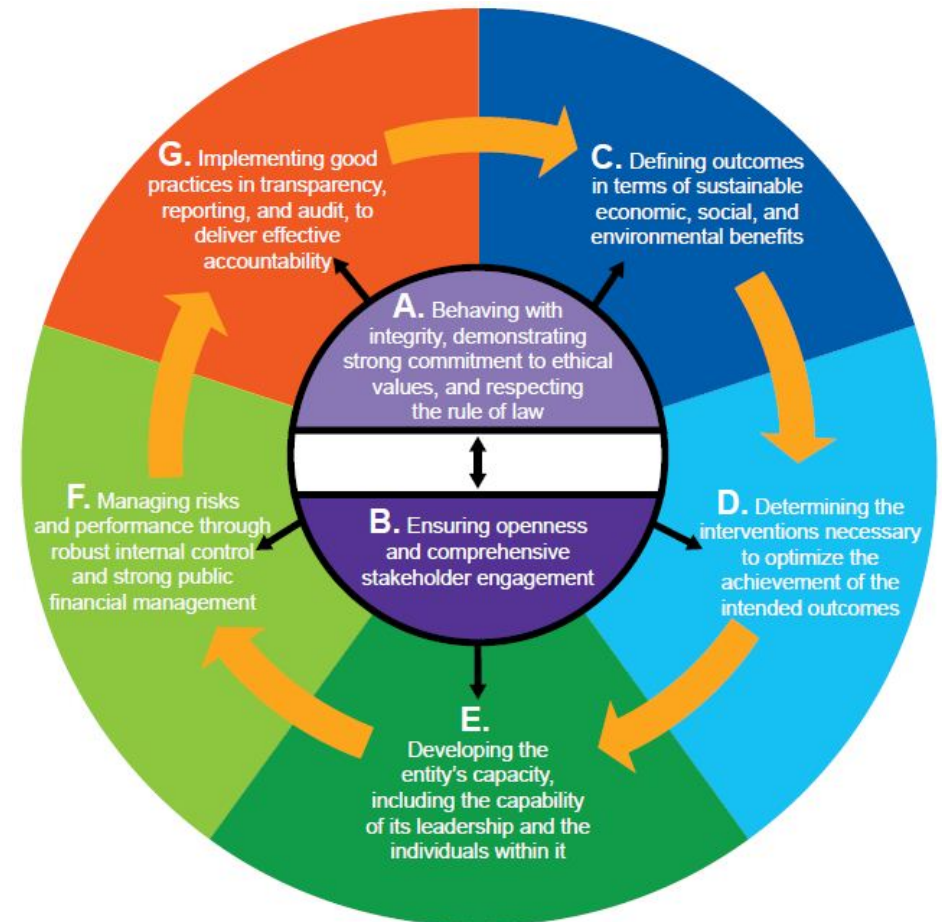


Figure 1 CIPFA's Principles of Good Governance

The system of internal control is based on continuing processes designed to:

- identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

3 The Governance framework

Our code is aligned to the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). A description of the arrangements which we have put in place to secure robust corporate governance are summarised below. The full detail of these arrangements can be found in the Code of Corporate Governance.

Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

As part of our governance framework we apply six key behaviours which provide a clear framework on the behaviours we should be demonstrating on a day to day basis to support the cultural change and transformation of the organisation. The behaviours are integral to 1:1s and appraisal conversations as well as key to the way we recruit and develop our colleagues. <http://www.warwickshire.gov.uk/ourbehaviours>

We have arrangements in place to provide assurance that our behaviours are being upheld and that members and officers demonstrate high standards of conduct. These include:

- codes of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud and whistleblowing); and

Our Behaviours



Figure 2 Warwickshire's Six Key Behaviours

- inclusion of ethical values in policies and procedures for all areas including procurement and partnership working. <http://www.warwickshire.gov.uk/conduct>

Complaints and compliments help us improve the services we provide to all customers. We have a corporate complaints and feedback procedure to ensure that all complaints are investigated properly and are responded to as quickly as possible. <http://www.warwickshire.gov.uk/complaints>

We appreciate the diversity of our customers, workforce and the wider Warwickshire community and are committed to Equality and Diversity. This is integral to everything we do including policy development, service delivery and partnership working to ensure we meet the Public Sector Duty as set out in the Equality Act 2010 and that we do not unlawfully discriminate with services we deliver or commission <http://www.warwickshire.gov.uk/equality>

Our Constitution sets out the conditions to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, and protocols on member / officer relations are documented. <http://www.warwickshire.gov.uk/constitution>

Core Principle B. Ensuring openness and comprehensive stakeholder engagement

We have a Consultation and Engagement Framework in place, owned by a lead officer, which provides staff with up to date guidance and tools for planning and conducting consultation activities.

As part of our approach to consultation the Ask Warwickshire website is a portal for consultation exercises taking place within Warwickshire. We use a variety of methods to undertake consultation. www.warwickshire.gov.uk/ask

We value the contribution from our employees and have an Employee Engagement Strategy in place which sets out how we ensure employees have a voice, managers and leaders are focusing, coaching and developing their people and there is clear communication about where our authority is going. This is supported by bi-annual staff surveys and pulse surveys which measure employee engagement and our direction of travel against a number of staff related measures. <https://www.warwickshire.gov.uk/employeeengagement>

We actively contribute to and collaborate with partners to promote good governance and achieve the delivery of outcomes through increased joint working and economies of scale. We are members of a number of sub-regional partnerships and groups which have member and / or officer representation. Each partnership has its own governance arrangements in place. <http://www.warwickshire.gov.uk/partnerships>

We are registered as a data controller under the Data Protection Act as we collect and process personal information. We have a named Data Protection officer and have procedures in place that explain how we use and share information and arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office (ICO), in accordance with the Freedom of Information Act 2000. <http://www.warwickshire.gov.uk/lists-data-and-information>

Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

A Corporate Plan and Medium Term Financial Plan covering the period 2017 – 2020 has been approved in response to the Local Government Finance Settlement and the longer term implications for the authority.

The One Organisational Plan (OOP 2020), approved at Full Council on 2nd February 2017, focuses on the redesign of the organisation and the role of local government and public services going forward. It sets out our vision for Warwickshire and the journey the authority will take to deliver this vision and outcomes over the life of the plan. <http://oop.warwickshire.gov.uk/>

Our core purpose: **'We want to make Warwickshire the best it can be'**

This is supported by two outcomes which will form the focus of our work moving forward:



Warwickshire's Communities and Individuals are supported to be safe, healthy and independent



Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure

Figure 3 WCC's Core Purpose and Key Outcomes (OOP-2020)

The development of OOP-2020 was informed by an extensive programme of public consultation which included press, radio and online advertising to increase public awareness and engagement. Let's Talk Roadshows at venues across the county and a web based budget simulator were used to engage with citizens and seek views on what service priorities are. <http://warwickshire.gov.uk/letstalk>

Our business planning is supported by the Insight Service which provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents and communities of Warwickshire. The results of analysis undertaken by the Insight Service and key messages identified contribute to the evidence base supporting our decision making, policy development, creation of OOP-2020, medium term financial plan and detailed business plans. <http://www.warwickshireobservatory.org>

All Business Units have plans in place which correlate with the budget approved by the Council and the key outcomes contained in the One Organisational Plan. Each service plan has Key Performance Indicators which are monitored and included in quarterly performance reports to

Service Management Teams, Overview and Scrutiny committees and Cabinet.

Core Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The One Organisational Plan and the Council's Medium Term Financial Plan are aligned to ensure a joined up approach to delivering the organisational plan outcomes and agreed savings plans. This provides the necessary framework to deliver change management and transformation and to ensure clear line of sight in the delivery of WCC's Core Purpose and Outcomes at strategic, group and business unit levels so that Members and Officers have a clear picture of how well the Organisation is progressing against the delivery of the outcomes set out in the One Organisational Plan. Our outcomes framework includes the following mechanisms:

- Progress against the One Organisational Plan and the delivery of savings is reported to Overview & Scrutiny and Cabinet on a quarterly basis. This information is also available electronically via a Member Dashboard.
- A management information dashboard is in place which provides HR, finance and performance data to Strategic Directors, Heads of Service and third tier managers for their areas of responsibility. This enables managers to interrogate information quickly and efficiently, making key indicators easier to monitor.
- Arrangements are in place to report critical management information on the key aspects of the delivery of the OOP 2020 including finance, projects and performance to Corporate Board on a monthly basis.
- Each Group has arrangements in place for reporting performance to its Group Leadership Team (GLT).
- The Project Hub, an on-line system for monitoring and reporting progress with projects and programmes has been rolled out which improves the delivery and performance of projects and programmes delivered across the Council against corporate objectives.

Core Principle E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Our Workforce Strategy 2014-18 outlines the current needs of our workforce, setting out aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans developed at Group and business unit level. This ensures that we have a fit for purpose workforce and that staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the One Organisational Plan. The strategy is currently being refreshed and a new People Plan is being developed to ensure our workforce meets the needs of the organisation beyond 2018.

To enable our employees to be the best they can be we have a corporate process for annual appraisals, supported by regular 1:1 conversations. This provides the necessary clarity on expectations and behaviour, direction, support and opportunities for growth and development and allows employees and managers to have constructive discussions on performance, progress against outcomes, wellbeing and development. Since April 2017 our corporate appraisal process has been aligned to the Behaviours Framework. <http://www.warwickshire.gov.uk/gatewaytolearning>

Our Senior Leadership Forums and planned events and workshops aim to share our Transformation plans more widely and build the skills and capabilities needed to successfully deliver those plans.

At the beginning of their term of office, all elected members undertake an induction programme which includes corporate governance training. A member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and to take account of new and emerging issues.

Core Principle F. Managing risks and performance through robust internal control and strong public financial management

The One Organisational Plan provides the necessary framework to deliver change management and transformation and to ensure clear line of sight in the delivery of WCC's Core Purpose and Outcomes. The outcomes framework ensures that Members and Officers have a clear picture of how well the Organisation is progressing against the outcomes set out in the Plan as well as the key business outcomes that support and underpin it. These processes are continuing for the delivery of OOP-2020.

We have started work on reviewing how we will operate beyond 2020 to ensure we have strong arrangements in place to deliver future strategic plans and savings, as the authority's financial envelope continues to be constrained and demand for services increases.

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to our ability to deliver public services and as a custodian of public funds. Our approach to managing risk is explained in the Risk Management Strategy. <http://www.warwickshire.gov.uk/riskmanagementstrategy>.

Financial Regulations set out our financial management framework for ensuring we make the best use of the money we have available to spend. They outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are complied with, as well as reflecting best professional practice and decision-making. <https://www.warwickshire.gov.uk/standingorders>

We have adopted the CIPFA Code of Practice for Managing the Risk of fraud and corruption and this has been reflected in our updated anti-fraud policy. <http://www.warwickshire.gov.uk/antifraud>

Core Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

We endeavour to always be open and transparent. We have a forward plan which provides information about all of the decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the Council is planning to take, and the decisions taken. <http://www.warwickshire.gov.uk/democracy>

Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&S Committees are defined in the Constitution. <http://www.warwickshire.gov.uk/scrutiny>

The Audit and Standards Committee has oversight of internal and external audit matters, the council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity.

Each year we publish information on our website outlining how we spend Council Tax income. <http://www.warwickshire.gov.uk/counciltaxspending>

Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards and CIPFA Statement on the Role of the Head of Internal Audit. The Internal Audit and Insurance Manager is designated as the Head of Internal Audit and has regular formal meetings with the Joint Managing Director (Resources), Head of Finance and Head of Law and Governance and does not take any part in any audit of risk management or insurance. Following last year's self-assessment against the Public Sector Internal Audit Standards (PSIAS), an External Quality Assessment of the Internal Audit shared service was completed in February 2018 resulting in positive feedback on the quality of internal audit provided to its clients. <http://www.warwickshire.gov.uk/audit>

4. Review of effectiveness

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from each group, Internal Audit and chaired by the Internal Audit and Insurance Manager. In carrying out their review, the evaluation panel:

- considered the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- considered the approach of the Authority to identifying principal risks to the achievement of those obligations and objectives;
- identified the key control frameworks that the Authority has in place to manage its principal risks;
- obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspection; and
- evaluated the assurances provided and identified gaps.

The evaluation panel took into account the strategic risk register prepared by executive managers and approved by Corporate Board. In addition Heads of Service have confirmed that they have complied with the risk management framework throughout the year. Consideration was also given to the results of reviews carried out by external agencies during the year including the external audit of the accounts. The work of the evaluation panel was scrutinised by the Head of Law and Governance (Monitoring Officer) and the Head of Finance (Section 151 Officer) before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Authority's governance arrangements have been reviewed and improved throughout 2017/18 in a number of ways including:

- Our Whistleblowing Policy and Counter Fraud, Bribery and Corruption Framework were approved by the Audit & Standards Committee in June and September 2017 respectively.
- Council meetings have been web-streamed and a web based election results system introduced, improving transparency of decision making and public accessibility.
- We have responded to Ofsted's inspection of our Children's Services in May 2017, resulting in an overall grade of "requires improvement", with a 12 point action plan owned at senior management level.
- We implemented a new Adult Case File Audit Tool in People Group in July 2017.
- We continued to consult with staff, service users and stakeholders on our Transformation Programme for Adult and Children's Services.
- A new customer centred Quality Assurance Framework for our Commissioned Adult and Children's Services called "See, Hear, Act" was launched in November 2017 with a full week of public events and promotional activity in the community and with providers and service users.
- LGA Early Help Peer Review was undertaken in November 2017, resulting in an Early Help Action Plan setting out a number of key activities to clarify Early Help services so that they are agreed and understood by WCC and its partners and ensure that there are appropriate governance arrangements for partnership engagement.
- In April 2017, we took part in and completed a Self-Assessment of Adult Services as part of the annual sector led improvement programme run by ADASS (Association of directors of adult social services in England).
- We completed a Self-Assessment of Mental Health Services commissioned by West Midlands Regional ADASS Group during the summer of 2017.

The results of Internal Audit work were reported to the Audit and Standards Committee throughout the year and the individual reviews feed into the overall Internal Audit Annual Report. The Committee has also considered in greater detail areas where limited assurance opinions have been provided including Contract Management and Pre-Employment checks and the wider implications of a fraud case in respect of Direct Payment controls. This report concludes that the Authority's control environment provides moderate assurance that the

significant risks facing the Authority are addressed. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

5. Governance issues

We have not experienced any significant governance failures during the last year and our arrangements continue to be regarded as fit for purpose in accordance with the governance framework. However, the matters listed below have been identified as major challenges for the Authority. These governance challenges are reflected in the organisation's strategic risk register and have accompanying actions. The risk register highlights the actions taken and successes achieved in addressing the challenges of the past twelve months. A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by corporate business plans and that the actions identified in those plans will address the issues highlighted in our review of effectiveness. The following paragraphs summarise the risks contained in the strategic risk register.

Government policies, new legislation, austerity measures and demographic pressures present challenges on service delivery.

The outlook for Local Government remains demanding with a number of central government policies combined with the national economic situation presenting significant challenges to us. Statements from the Treasury continue to reiterate that the period of austerity for public services will continue for some years and we need to maintain a watching brief of government statements to identify potential policies which may have a significant impact for local government. Planned changes to arrangements for the retention of business rates are also an area of risk for us as it increases uncertainty about future funding. There continues to be a large amount of uncertainty arising from the United Kingdom's withdrawal from the European Union. We do not yet have a

full understanding of how this will impact on changes to laws, budgets, grants and the devolution agenda.

We have produced a new One Organisational Plan for the period 2017-2020 which identifies savings of £67m during this period. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. The savings and transformation plans that are in place are challenging and will result in a significant impact on services that we provide to the public. The major focus for us in the coming year is to:

- As part of the transformation programme, continue to provide clarity about our priorities based on an analysis of need and budget plans.
- Ensure the effective use of all funds allocated to the Council's Transformation Programme to support delivery of OOP-2020 and help manage the impact of changes to services that we provide to the public and the effect this may have on partners, other authorities and the voluntary sector.
- Continue to monitor the implementation of savings and project plans and ensure that revenue and capital budgets are managed in a clear and prudent manner.
- Continue to ensure that good governance, sound project and partnership management and standards of control are in place and adhered to during the transformation process to ensure that risks are managed and we achieve the best outcomes.
- Participate in national and sub-regional working groups to support and influence the development of the Business Rates Retention system.
- Continue to explore and engage in the debate around the implication of national policy direction on local public service delivery and what it may mean for Warwickshire.
- Work with our key partners to engage pro-actively with the UK Government as discussions surrounding Brexit continue.

Continuing pressure on Adult Social Services and Health.

There continues to be a number of pressures that have a fundamental impact on the funding and provision of adult social care services in Warwickshire. Inflation and demographic pressures, combined with the impact of the national living wage, means that demand and costs for providing adult social care continue to rise. In addition market pressures on providers increases the risk that they either leave the market or that services provided fail to meet minimum statutory requirements.

We have taken action to address pressures and increasing demand on adult social care services by utilising, for the 2nd year, the 2% Adult Social Care Levy as part of our budget setting. We have also been allocated over £17 million extra for adult social care over 3 years - £8.3m in 2017/18, £6.3m in 2018/19 and £3.1m in 2019/20.

During the next year we will continue to shape and commission our services and will have a focus on the following:

- Stronger integration with our health partners and strengthening the role of the Community and Voluntary sector.
- Shaping the provision and quality of commissioned services for our most vulnerable looked after children and young people.
- Progressing the review and transformation of the "customer journey" for children and adult services with customers and carers at its heart.
- Further evolve our approach to commissioning and delivering high quality services with providers ensuring that we minimise the risk of market failures.

Safeguarding Children and Vulnerable Adults in our community - inability to take action to avoid abuse, injury or death.

In light of high profile safeguarding cases at a national level, we cannot be complacent about protecting children and vulnerable adults from harm.

Responding to ever increasing levels of referrals against the backdrop of financial austerity requires careful judgements to be made both in terms of managing our exposure to risk and the associated increase in costs.

Following the Ofsted Inspection of Children's Services and the Peer Review in 2017 we have an Action Plan in place which will drive forward required improvements in 2018.

We now have an established Multi-Agency Safeguarding Hub (MASH) in partnership with Warwickshire Police, NHS and other key partner agencies. This allows us to work more closely with our partners to provide a more co-ordinated and consistent response to safeguarding concerns about children, young people and adults.

The Warwickshire Safeguarding Adults Board (WSAB) has implemented a programme of regular multi-agency audits.

We continue to develop our safeguarding arrangements and over the next year will maintain a recruitment and retention campaign to increase our Social Work resources. In doing so, we will reduce caseloads, work more effectively with families in the community and reduce the number of looked after children.

Failure to maintain the security of personal or protected data and protect our systems from disruption as result of cybercrime.

Information security is a key issue for all public sector organisations in the light of well publicised data losses and cyber security incidents affecting many public bodies. A robust process for investigating incidents is in place and we continue to protect our systems and data of our staff and customers. We ensure that data is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our array of more detailed advice and guidance in this arena. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we require staff to undertake e-learning and formally accept their

responsibilities. We have continued to review and improve our information governance processes across the Council and have introduced routine compliance reporting to Corporate Board. We are delivering a corporate cross cutting project to prepare all business areas and third parties for compliance with the General Data Protection Regulation (GDPR) ahead of its introduction in May 2018. Along with all other organisations we have seen an increase in the number of attacks on Warwickshire websites and systems arising from hacking, denial of service, ransomware and phishing. In response, we continue to review and develop our network and information security arrangements and invest in those resources.

The ability to secure economic growth in Warwickshire.

We are a member of The Coventry and Warwickshire Local Enterprise Partnership (CWLEP) which is a key driver for creating a successful, thriving economy within Coventry and Warwickshire. CWLEP has secured funding from the Government's Local Growth Fund for a number of projects and we will continue to undertake work in this area to identify and submit further projects in order to seek future funding and monitor the delivery of existing projects to review the benefits on our local economy. We will continue to:

- Support the CWLEP Growth Hub in assisting SMEs and work to help the Hub become self-financing.
- Contribute to CWLEP sub-group work looking at the impact of Brexit on skills, employment and infrastructure in Coventry and Warwickshire.
- Continue to work with our partners to develop the Skills for Employment programme to improve the employability skills and attributes of young people.
- Apply the National Living Wage and expand our Apprenticeship Scheme, as a leading regional employer.

At a wider, regional level the West Midlands Combined Authority (WMCA) has been established with the challenge to create jobs, enhance skills, develop prosperity and drive economic growth. The

Council has joined WMCA as a non-constituent member and continues to play a full part in the development of the Authority, actively engaging with regards to transport, planning, housing and economic development.

Inability to keep our communities safe from harm.

There are many challenges on the horizon nationally and locally for the services we provide that keep our communities safe. This particularly includes the Fire and Rescue Service, highways maintenance and corporate arrangements for business continuity, and we recognise that we need to become even more flexible if we are to meet our current and emerging challenges. During the course of the next year we will have a focus on the following areas:

- Develop and deliver an annual action plan as part of the Integrated Risk Management Plan (2017 - 2020) for the Fire & Rescue Service
- Continue to review and test our business continuity and emergency plans.
- Moving forward our collaborative arrangements with West Midlands Fire & Rescue Service.

6. Certification

We propose over the coming year to continue to manage the risks detailed above and further enhance our governance arrangements. We are satisfied that the risks we have identified are addressed by the detailed action plans included in corporate business plans and the corporate risk register, and that the actions identified will address the need for improvements that were highlighted in our review of effectiveness. These are monitored and reported to members and Corporate Board as part of the corporate performance management framework. We will monitor their implementation and operation as part of our next annual review.

.....
David Carter
Joint Managing Director
Head of Paid Service

.....
Councillor Izzi Seccombe
Leader of the Council

Audit and Standards Committee

24 May 2018

Internal Audit Plan 2018/19

Recommendation(s)

That the Committee:

1. approves the proposed plan, and
 2. note that no changes are currently required to the Audit Charter.
-
1. The Council has a duty to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account relevant auditing standards.
 2. The role of internal audit is primarily to provide reasonable assurance to the organisation and ultimately the taxpayers that the Council maintains an effective control environment that enables them to manage its significant business risks. Internal Audit does this **by providing risk-based and objective assurance, advice and insight**. In addition to providing assurance the audit service also undertakes consultancy and advisory work designed to add value and offer insights that will improve the effectiveness of risk management, control and governance processes e.g. acting as a critical friend when process changes are being developed.
 - 3 To ensure the best use of limited audit resources audit work needs to be carefully planned. In accordance with best practice the Committee's role is to review and approve the annual internal audit work plan. The plan is developed in consultation with senior managers and takes account of the organisation's aims, strategies, key objectives, associated risks, and risk management processes (as required by internal audit standards). It 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. This year more care has been taken to more explicitly link the internal audit plan with critical risks.
 - 4 Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days has 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 the level of change. The list of potential topics arising from the planning process is included in the attached audit plan document (**Appendix A**) together with those topics we are unable to cover during the year based on existing level of resources. 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 Committee 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).

- 5 Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and it will therefore be reviewed at intervals throughout the year to ensure it remains relevant.

- 6 The Internal Audit function is governed by its Audit Charter, which is a requirement of the Public Sector Internal Audit Standards and sets out the purpose, authority and responsibility of internal audit. As the Committee will appreciate, it has to be formally agreed and approved by the organisation and periodically reviewed. The Charter establishes the internal audit activity’s position within the organisation, including the nature of the service’s functional reporting relationship; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. The current Audit Charter was last considered by the Committee in 2017 and at this time no changes are proposed.

- 7 This report will also be considered by Corporate Board on 23rd May 2018.

Background papers

1. None

	Name	Contact Information
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Portfolio Holder	Cllr Kam Kaur	01926 632679

The report was circulated to the following members prior to publication:

Local Member(s): Not applicable

Other members: Not applicable

Internal Audit Plan 2018/19

“Providing assurance on the management of risks”



Internal Audit Plan 2018/2019

“Providing assurance on the management of risks”

This document sets out the Internal Audit Plan 2018/2019 for Warwickshire County Council. These services are provided by the Internal Audit Service of the Resources Group. This document complements the Audit Charter and the Council’s Risk Management Framework. In accordance with current best practice the role of the audit committee is to review and approve the internal audit plan.

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.

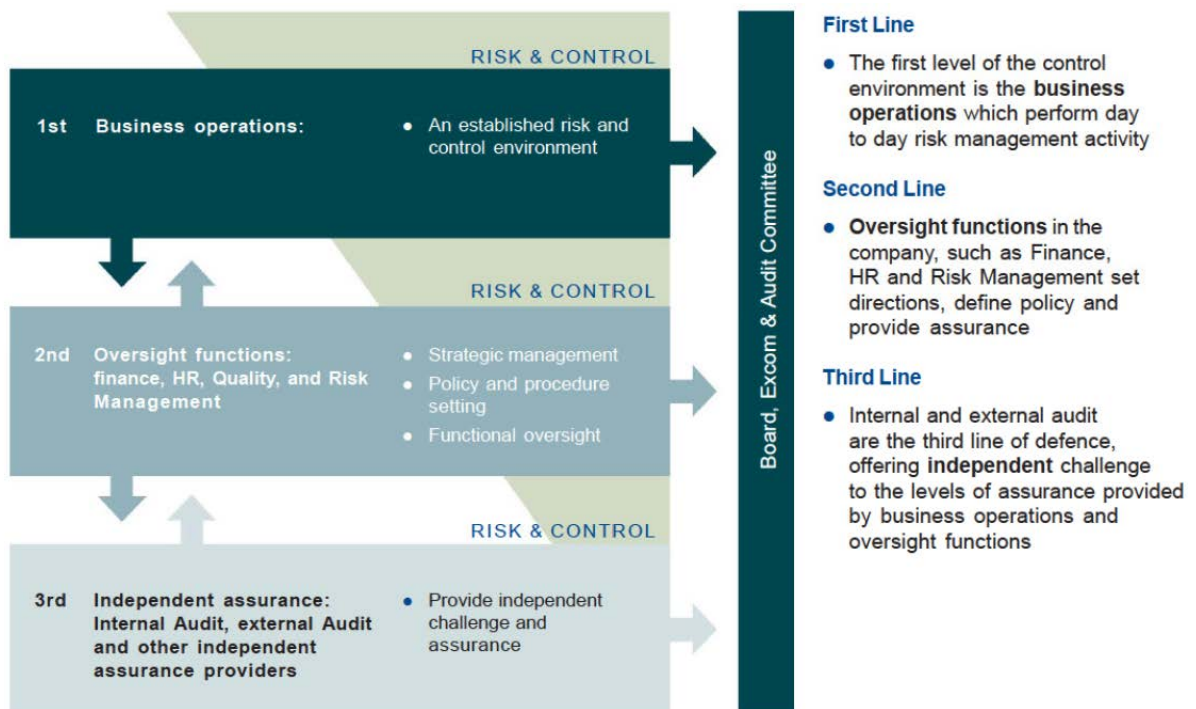


Definition of Internal Auditing

“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 governance, control and risk management processes 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 and provide insight on governance, control and risk management
- 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

The Council will face major changes in systems and procedures over the coming years and we are able to provide advice on the governance, control and risk 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 Internal Audit and Insurance Manager.

Counter fraud

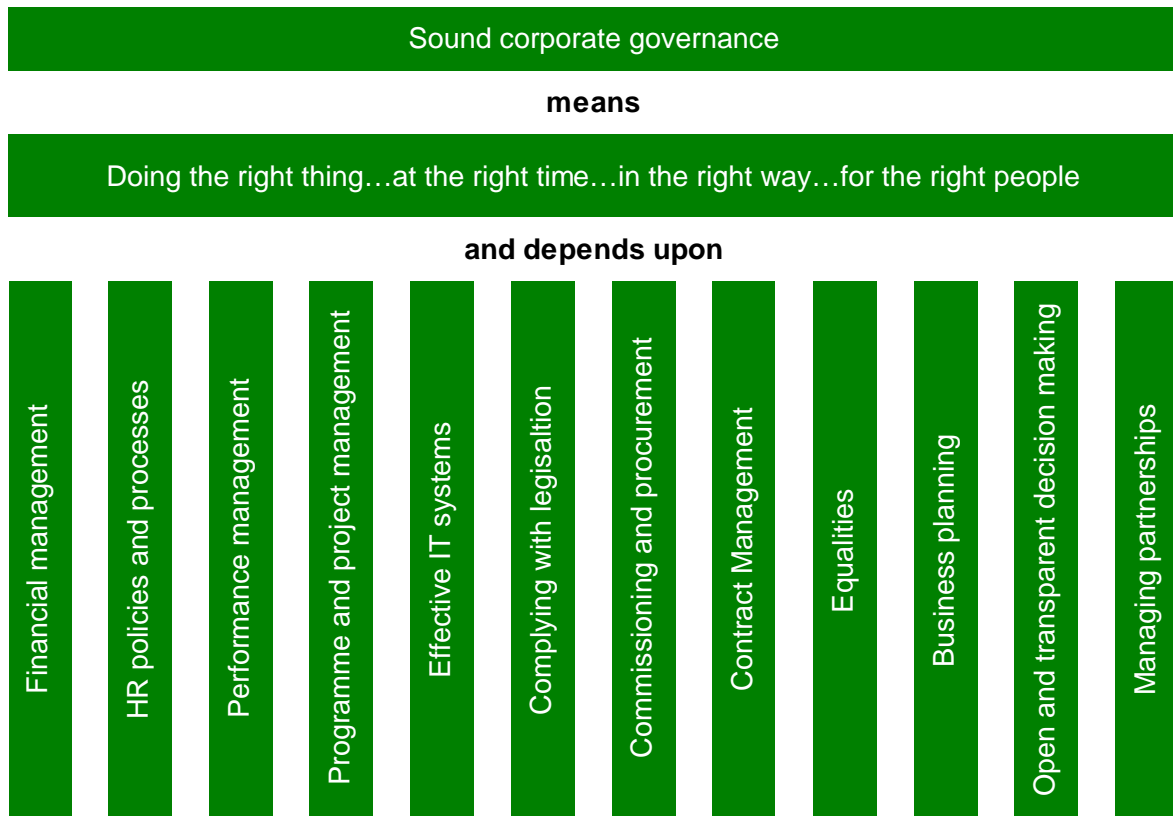
Although responsibility for operating sound controls and detecting fraud is the responsibility of management the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy. The Service also coordinates the Council's participation in the National Fraud Initiative.

Plan 2018 / 2019

General principles

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, control and risk management arrangements remain effective.

Figure 1: Key corporate processes



The Council is facing unprecedented financial pressures and the Internal Audit 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 2018/198 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.

There will inevitably be circumstances where the Internal Audit and Insurance 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 reviewed 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.

2018/19 Plan

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. In particular, a corporate review of significant contracts by the Procurement Team will significantly reduce the need for internal audit work on contracts. The outcome of that work will need to be taken into account when forming the Head of Audit Opinion for 2018/9. Similarly, although our roles and responsibilities are different the service continues to liaise closely with the Authority's external auditors. Our approach to other assurance providers will continue to be refined.

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.

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.

Whilst providing advice on governance, risk and controls implications of key projects is good practice and reduces the risk of not addressing these issues which potentially could result in an adverse opinion from a future assurance assignment, assurance work is essential to ensure sufficient coverage to deliver the annual Head of Audit opinion. The Service will therefore be limited in the volume of support it can provide on more minor matters.

The Council's new Social Care Management System (Mosaic) has now been implemented and the phased implementation of the new Payroll and HR System (Your HR) will continue during 2018/9. Significant audit resources have been spent on these projects over the past two years and a number of audits on these key systems feature in the proposed plan for example the impact of Mosaic will be picked up in a number of audits in the People Group.

Governance, risk and control issues continue to be an issue at schools with a number of audits resulting in a limited opinion. On this basis provision has been included for undertaking two themed audits. The need for individual school audits will be considered on a case by case basis.

In addition to the assurance and advisory work listed in Annex 1 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,
- Complete outstanding 2017/18 jobs, and
- A limited amount of counter fraud work. The Council has been impacted by a number of frauds in recent years. This has been taken into account when determining the extent of counter fraud work and after discussions with management a number of targeted assignments to actively look for fraud have been included in the plan. This work will supplement the Council's participation in the National Fraud Initiative which the internal audit team coordinates.
- Undertake the non-audit work to which the service is committed primarily the management of the Insurance Function.

Quality Assurance and Improvement Programme

The PSIAS require the Internal Audit and Insurance 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. 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.

Garry Rollason
Internal Audit and
Insurance Manager
(Head of Internal Audit)
April 2018

Paul Clarke
Deputy Internal Audit
Manager

David Ashley
Audit Engagement
Manager

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.	High	Medium	<ul style="list-style-type: none"> • Programme and project management – Moderate 2016/17 • Advisory input into transformation projects • Savings and transformation plans – Communities and Resources (In progress) 	<ul style="list-style-type: none"> • Advisory input into transformation projects • S106 • Capital Programme
Continuing pressure on Adult Social Services and Health.			<ul style="list-style-type: none"> • Reablement – Substantial 2015/16 • Contract management – Limited 2016/17 • People transformation programme – Substantial – 2014/15 • Commissioning – Quality Review (In progress) • Domiciliary care (In Progress) • Savings and transformation plans – People (In progress) • Direct Payments – Adults (In progress) • Mosaic Advice 	<ul style="list-style-type: none"> • The impact of the Mosaic implementation will be considered in all People Group audits • Disability Services • Commissioning • Contract management • Benefits, Assessments and Income Control • Reablement

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 adequately safeguard Children and Vulnerable Adults.	Red	Red	<ul style="list-style-type: none"> • 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 – Substantial 2017/18 • Links with Health (In progress) • Contracting – Public Health (In progress) 	<ul style="list-style-type: none"> • Advisory input into transformation projects • Multi Agency Safeguarding Hub (MASH) • Looked After Children • Adoption Central England • Direct Payments – Children • SEND Transport • Asylum Seekers • Case File Recording • Themed Schools audit – Budget Management
Failure to maintain the security of personal or protected data.	Red	Yellow	<ul style="list-style-type: none"> • Information governance – Moderate 2014/15 • Information governance – 2017/18 (In progress) 	<ul style="list-style-type: none"> • General Data Protection Regulations
The security and integrity of our systems are disrupted as a result of cybercrime.	Red	Yellow	<ul style="list-style-type: none"> • Specialist IT audits • Information security protocols – Moderate 2016/17 • Ransomware – Moderate 2016/17 	<ul style="list-style-type: none"> • Specialist IT audits
Inability to secure economic growth in Warwickshire.	Red	Yellow	<ul style="list-style-type: none"> • Economic development and growth (In progress) 	<ul style="list-style-type: none"> • Railway Contracts
Inability to keep our communities safe from harm.	Red	Yellow	<ul style="list-style-type: none"> • Flood risk – Moderate 2014/15 • Emergency planning – Moderate 2014/15 • Highways (In progress) 	<ul style="list-style-type: none"> • Emergency Planning

Workplan 2018/2019

1. Planned Work

Business Group	Topic	Priority VH/H/M/L	Assurance	Advice	
Communities	SEND Transport	VH	✓	✓	
	Emergency Planning	VH	✓		
	Waste Management	VH	✓		
	Developer contributions / highways response to planning applications	VH	✓		
	Rail Contracts	VH	✓		
	Duty Management System	VH	✓		
Schools & nurseries	Themed Audit – Safeguarding	VH	✓		
	Themed Audit – Budget Management	VH	✓		
Pension Fund	Investment management	VH	✓		
People	Asylum Seekers	VH	✓		
	Fostering	VH		✓	
	Commissioning	VH	✓		
	Looked After Children	VH	✓		
	Adoption Central England	VH	✓		
	Direct Payments – Children	VH	✓		
	Multi-Agency Safeguarding Hub	VH	✓		
	Transitions and care leavers	VH	✓		
	Benefits, Assessment and Income Control Team (re Residential & Domiciliary Care)	VH	✓		
	Case File Recording (Children and Adult)	VH	✓		
	Reablement	VH	✓		
	Disability Services	VH	✓		
	Delayed Transfer of Care	VH	✓		
	Reviewing Team	VH	✓		
	Resources	Payroll	VH	✓	
		Your HR	VH		✓
Treasury Management		VH	✓		
GDPR		VH	✓		
IT Audits		VH	✓		
Contract Management		VH	✓		
Cross Cutting	Capital Programme	VH	✓		

Business Group	Topic	Priority VH/H/M/L	Assurance	Advice
	Savings & Transformation	VH	✓	
	Digital Transformation	VH	✓	
	Consultants	VH	✓	

2. Illustration of auditable topics not planned for 2018/2019

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 2018/19. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2018/19. 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	Heritage and Environment	In progress		H	Audit	
	Highways	In progress	Procurement	H	Audit	
	Economic Development	In progress		H	Audit	
	Contracting – Public Health	In progress	Procurement	H	Audit	
	School improvement	Moderate 2014/15	Ofsted	H	Audit	
	School Procurement			H	Audit	
	LEA Roles	In progress	Ofsted	H	Advice	
	Individual schools		Finance, HR	H	Audit	
	Health and safety		Health & Safety	H	Audit	
	Civil Parking Enforcement	Moderate 2015/16	Procurement	H	Audit	
	Fire Premises Risk Management	Substantial 2014/15	HMICFR	H	Audit	
	Partnerships			H	Audit	
	Pensions	Pensions - Admin	Substantial 2016/17		H	Audit
		People	Child Protection		H	Audit
Missing Children			Substantial 2017/18		H	Audit
Direct Payments - Adults				Finance	H	Audit
Links with Health			In progress		H	Audit
Resources	Quality Reviewing	In progress		H	Audit	
	Customer Service Centre	Moderate 2016/17		H	Audit	
	Financial Systems			H	Audit	
	Procurement		Procurement	H	Audit	
	Performance management		Performance	H	Audit	
	Programme & project management		Performance	H	Audit	

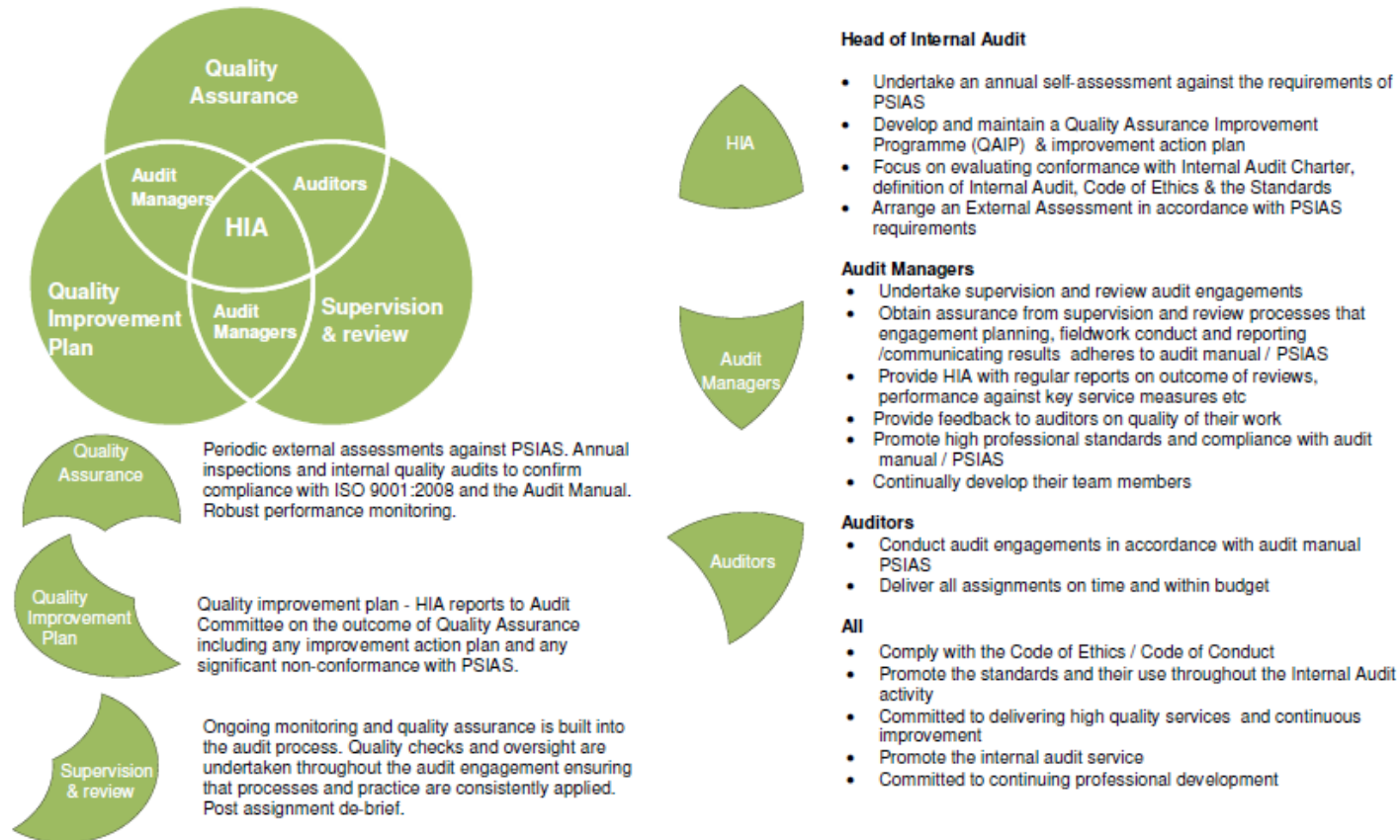
² This may not necessarily be a full scope review and only audits completed in the last 4 years are shown.

Business Group	Area	Latest coverage ²	Other assurances	Priority	Type
	Contract Management		Procurement	H	Audit
Communities	Home to school transport	Moderate 2016/17		M	Audit
	Transport Fleet CFM	In progress		M	Audit
	SEN & inclusion	Moderate 2015/16		M	Audit
	School Organisation & Planning	Full 2014/15		M	Audit
	Health and Well Being			M	Audit
	Planning Control	Substantial 2016/17		M	Audit
	Highways response to planning applications			M	Audit
	Winter maintenance			M	Audit
	Command and control		HMICFR	M	Audit
	Training	Moderate 2015/16	HMICFR	M	Audit
	Transport	Limited 2015/16	HMICFR	M	Audit
	Water	Substantial 2015/16	HMICFR	M	Audit
	Duty management system		HMICFR	M	Audit
	Health and Safety		HMICFR	M	Audit
Pensions	Pensions - governance	Substantial 2016/17		M	Audit
People	Residential Care			M	Audit
	Resource Allocation			M	Audit
	Transition - children to adult	Moderate 2014/15		M	Audit
Resources	Occupational Therapy	Substantial 2014/15		M	Audit
	Complaints	Moderate 2016/17		M	Audit
	Business Rate Pooling			M	Audit
	Web Team			M	Audit
	Bank Reconciliation			M	Audit
	Capital Programme	Substantial 2016/17	Finance	M	Audit
	Absence Management	Moderate 2016/17	HR	M	Audit
	HR management	Moderate 2014/15	HR	M	Audit
	Payroll & HR	Moderate 2014/15		M	Audit
	transactional services				
	Insurance			M	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			L	Audit
	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

Business Group	Area	Latest coverage ²	Other assurances	Priority	Type
People Resources	Asbestos / water safety etc in schools -Themed			L	Audit
	Fire Equipment and uniforms		Procurement	L	Audit
	Deprivation of liberties	Moderate 2015/16		L	Audit
	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	Substantial 2016/17		L	Audit

Annex 3: QAIP

Warwickshire County Council – Quality Assurance and Improvement Programme



**Audit and Standards Committee
Work Programme 2018/19**

Item	Lead Officer	Date of meeting
Internal Audit Plan 2017/18 Progress report (exempt item)	Garry Rollason	25 July 2018
Annual Statement of Accounts 2017/18	Virginia Rennie	25 July 2018 <i>To Council on 26 July</i>
Pension Fund Statement of Accounts and Annual Governance Report 2017/18	Chris Norton	25 July 2018 <i>To Council on 26 July.</i>
Annual Governance Statement 2017/18	Garry Rollason	25 July 2018 <i>Then to Cabinet 24th – recommendation will be subject to comments from this Committee. To Council 26 July</i>
External Auditors Annual Governance Report 2017/2018	Virginia Rennie	25 July 2018
External Auditors Progress and Update Report	Virginia Rennie	25 July 2018
Audit & Standards Committee Annual Report	Ben Patel- Sadler/Garry Rollason	25 July 2018