

Internal Audit Plan 2018/19

“Providing assurance on the management of risks”



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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.

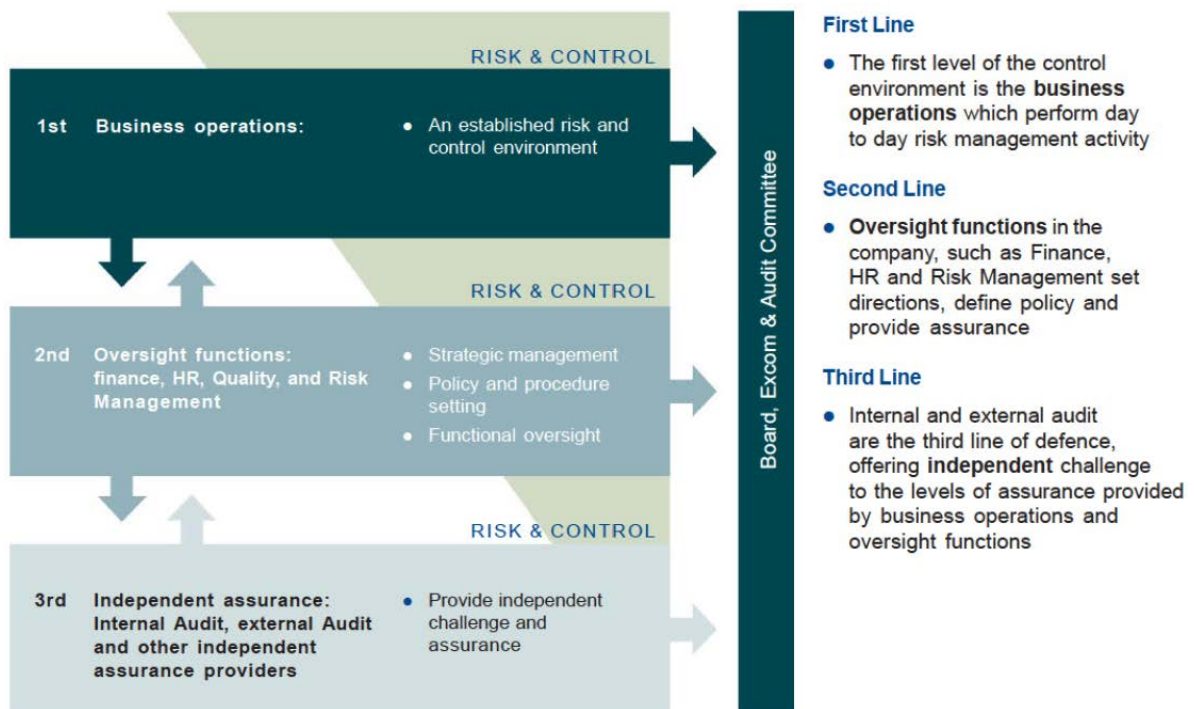


Definition of Internal Auditing

“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

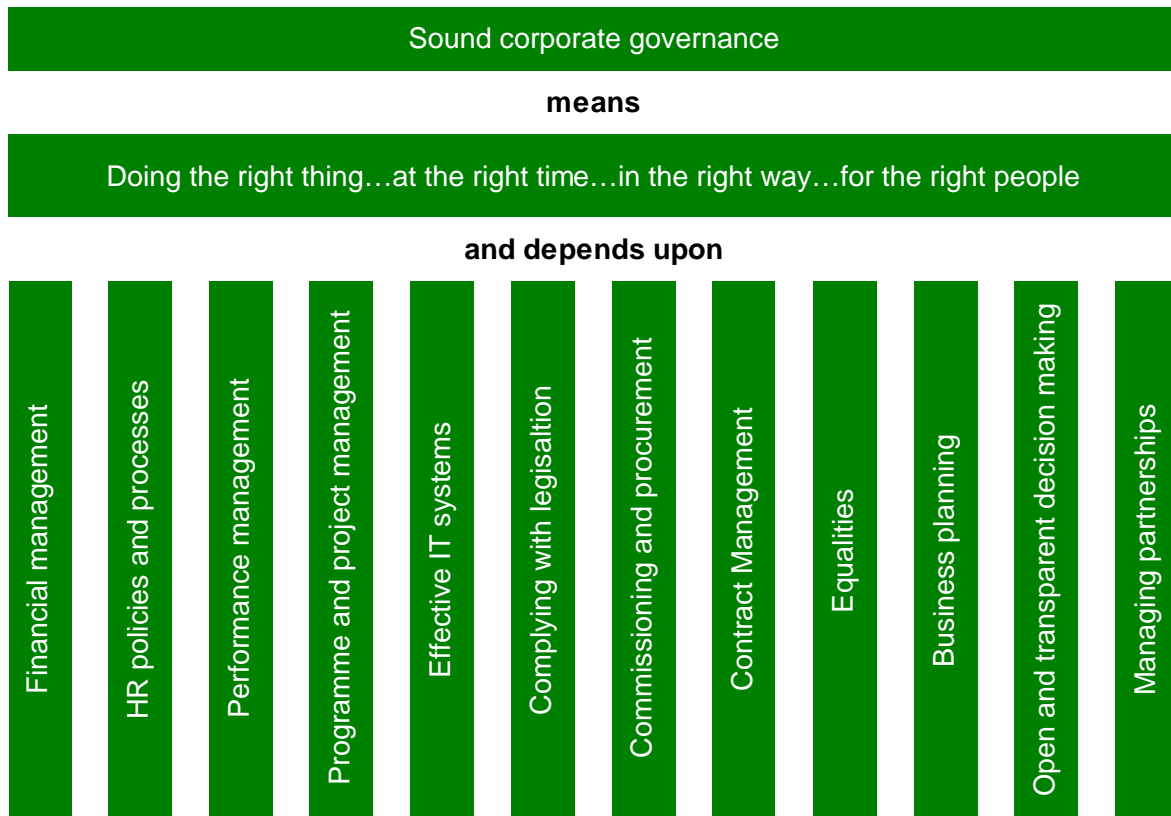
Although responsibility for operating sound controls and detecting fraud is the responsibility of management the Service has a key supporting role. In particular, we are responsible for maintaining and publicising the Council's anti-fraud policy. The Service also coordinates the Council's participation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

