

Internal Audit Strategy and Plan 2025-26

“Providing assurance on the management of risks”



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This document sets out the Internal Audit Strategy and proposed Plan of work for 2025-26 for Warwickshire County Council. These services are provided by the Internal Audit Service of the Resources Directorate. 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 Executive Director for Resources.

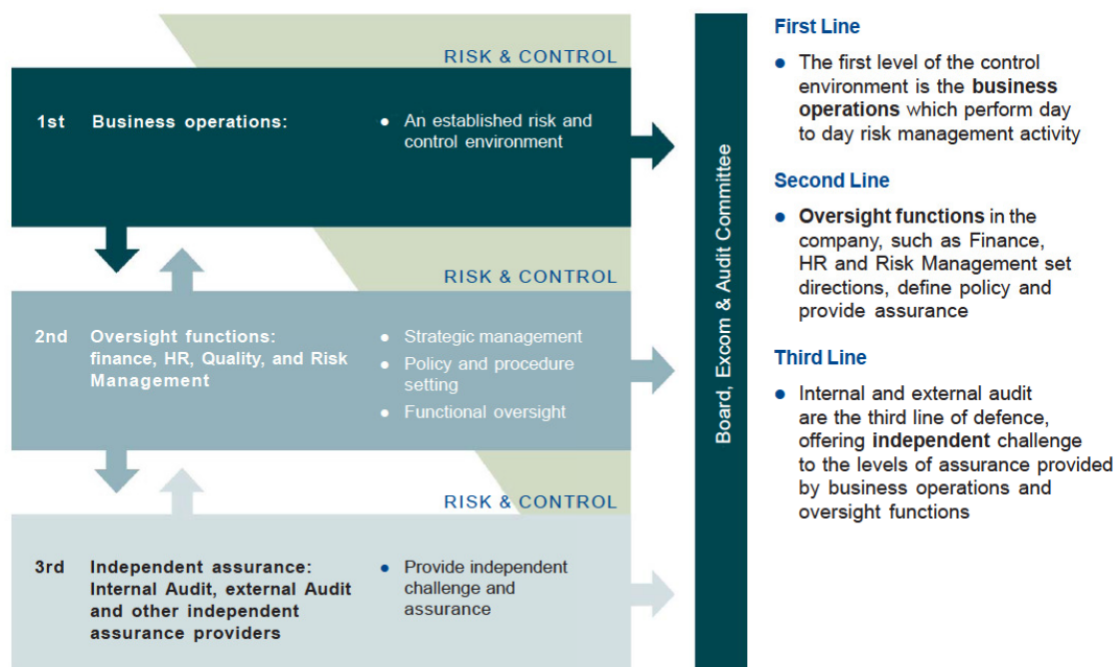
Definition of Internal Auditing

“Internal auditing is an independent, objective assurance and advisory service 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 governance, risk management, and control 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 (the Chief Executive, Executive Directors, Directors 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. Recognising that effective management involves choosing to take risks as well as defending against negative impacts, perhaps “*Three lines of Assurance*” is a helpful description:

Figure 1: Three lines of defence (assurance) model

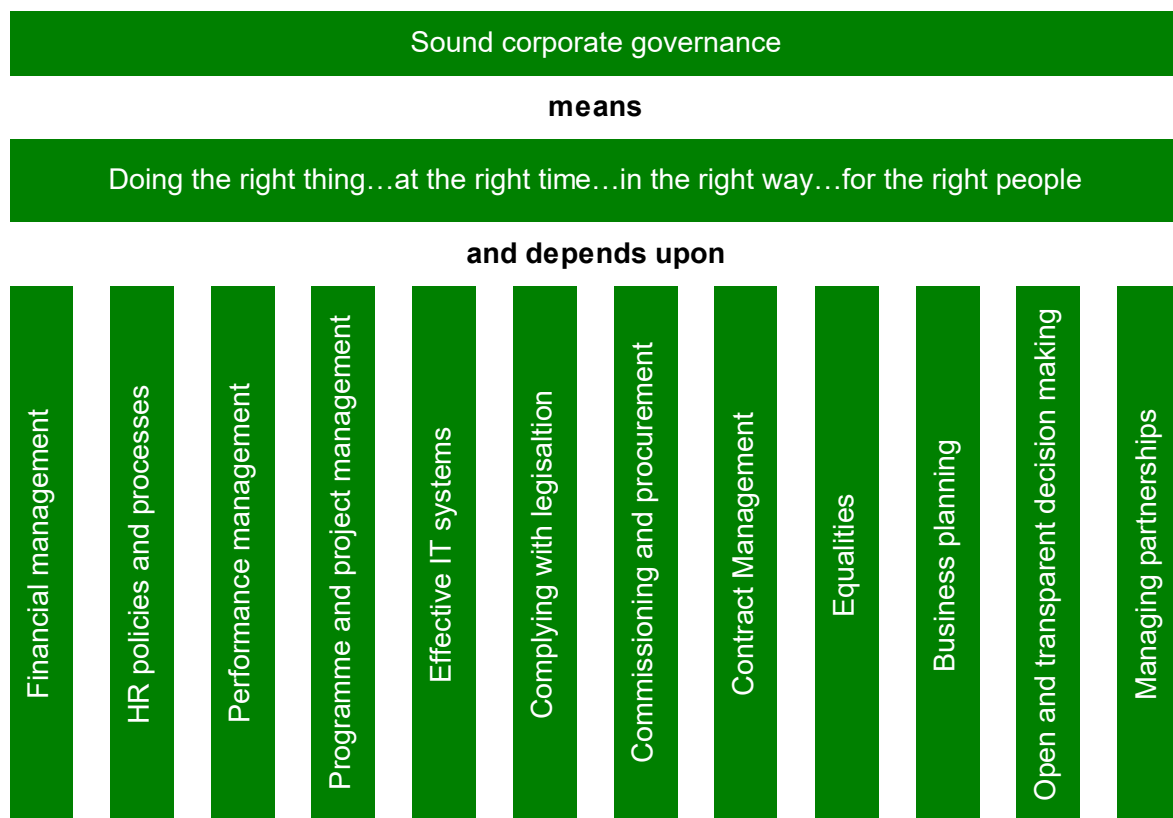


The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of assurance, audit's main roles are to ensure that the first two lines are operating effectively and advise how they could be improved.

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.

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 2: Key corporate processes



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.

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 clients to make informed decisions;
- Are forward looking; and
- Continually improve the quality of our services.

A key driver of this strategy is the need to meet all our clients' needs, which in the context of the County Council are the Audit and Standards Committee, Chief Executive, Executive Directors and Directors.

The County Council will continue to be affected by a variety of local and national issues:

- Impact of the English Devolution White Paper
- Funding pressures faced by local government;
- The impact of inflation and global conflicts
- Climate change
- Increased growth in partnerships and collaborations, for example with health, other parts of the public sector and the private sector;
- Ever increasing use of technology to deliver services, particularly the rapid evolution of Artificial Intelligence;
- 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. We must add value and help deliver innovations in service delivery. To respond to the demands on us we will:

- Continue to develop our staff to ensure we are fully equipped to respond to our clients' 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 clients;

- Increasingly work in partnership with clients to improve controls and performance generally; and
- Continue to buy in specialist help where required.

Services

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


Consultancy

The Council will face major changes in culture, 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, when 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.

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



Challenge
Champion
**Catalyst for
improvement**

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 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, maintaining records of all frauds and, as a deterrent, publicising proven frauds.

The Service also coordinates the Council's participation in the National Fraud Initiative. Relevant managers are best placed and hence are responsible for investigating matches identified by the NFI but we do maintain an overview of progress.

Plan 2025-26

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 overall environment in which the Council has to operate
- its aims, strategies, key objectives, associated risks
- risk management processes, and
- national surveys and intelligence on risk areas along with data on actual frauds at Warwickshire CC.

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 the wider issues affecting public sector internal audit which need to be reflected in the programme of work.

General context and key themes

International

The Institute of Internal Auditors has identified a number of key themes through its annual survey of Heads of Audit across the world, which looks at the continuing and emerging areas of risk on which they are having to focus. The latest report, Risk in Focus 2025, identified seven top risks from the survey, as follows:

- Cybersecurity
- Digital disruption, new technology and artificial intelligence (AI)
- Business Continuity
- Human capital and talent management and retention
- Climate Change
- Regulatory Change
- Geopolitical uncertainty

Cybersecurity remains highest as in 2023 and 2024. Digital disruption (including AI) Business continuity has moved up to 2nd place, pushing Human Capital to 4th position.

National

Like the rest of the world, the UK has been greatly impacted by the global instability and conflict. The risks and impacts include:

- Cyber security
- Higher general inflation
- Higher interest rates
- Supporting refugees

In particular at the Local Government level there has been and continues to be a high level of concern around financial stability and sustainability, with more councils having issued S114 notices.

County Council

The national and international perspectives highlighted above are reflected in the challenges faced by the county council. Regarding the aspects of financial risk, these include Dedicated Schools Grant deficits, growing costs of both adults and children's social care, Home to School Transport and SEND, as well as significant pressures on capital budgets. The risks have been identified by the Council in setting the budget and MTFS.

Financial Risks - Annual Budget and MTFS

From a financial perspective, at its meeting of 6 February 2025, Council considered a report titled "2025/26 Budget and 2025/30 Medium Term Financial Strategy". The Executive Director for Resources Section 25 statement report identifies a number of risks that will be monitored along with mitigation measures:

- Dedicated Schools Grant Deficits
- Demand Growth Risk
- Funding Risks:
 - Uncertainty of the National Funding Position
 - Council Tax
 - Business Rates
 - Treasury Management
- Workforce Risk
- Delivery of the Planned Budget Reductions
- Inflationary Risk (non pay)
- Affordability of the Capital Programme
- Impact of national policy changes
- Impact on the Medium Term Financial Strategy

Council Plan

Investment plans are directed towards delivery of the Council Plan.
The Council Plan contains three strategic priorities for achieving the vision “To make Warwickshire the best it can be, sustainable now and for future generations”. These are as follows:



Our ambition for Warwickshire

Three strategic priorities



We want Warwickshire to have a **thriving economy and places** that have the right jobs, skills, education, and infrastructure.



We want to be a County where all **people can live their best lives**; where communities and individuals are supported to live safely, healthily, happily and independently.



We want to be a **County with a sustainable future** which means adapting to and mitigating climate change and meeting net zero commitments, so that our generation ensures future generations can live well and reap the benefits of a sustainable and thriving Warwickshire.

Other planning considerations

Our primary customers remain the Chief Executive, Executive Directors, Directors and the Audit and Standards Committee but we will take into account the views of other managers when refining the scope of audits and will accommodate them as long as requests do not divert us from addressing the core scope as agreed with the Audit and Standards Committee.



Further significant changes in processes and policies are likely during the coming year and internal audit will need to support this work and provide advice on the governance, risk management and control implications of the changes. Whilst providing advice is good practice and an effective use of resources, sufficient audits are required across the Council’s risk profile in order to deliver the annual “Head of Audit” opinion. Given resourcing levels, advisory work will be targeted on key

transformation projects and the Service is unlikely to be able to provide support on more minor matters.

Given the limitations on audit resources there is an increasing need for more reliance to be placed by the Council on second line of defence functions (such as Finance, HR and Procurement). Potentially, audit will need to provide increased assurance on the effectiveness of those functions especially as budget constraints will inevitably also impact on them and hence on the overall assurance framework. We will avoid undertaking roles that are properly the responsibility of the first or second line of defence – these managers need to have sound controls and monitoring systems in place rather than relying on periodic internal audits to provide them with assurance. Assurance that these management functions are being properly discharged will be tested as part of the audit work.

Governance, risk and control issues continue to be an issue at Maintained schools with a number of schools experiencing financial difficulties. We plan to undertake some thematic audits, visiting a small sample of schools and sharing the key lessons more widely. Beyond that we will focus on the arrangements the Council has in place to identify as early as possible, and subsequently support, schools causing concern / in difficulty. Where a potential and significant financial irregularity is suspected at a school, we will investigate but we will not investigate minor suspected irregularities and will expect schools to resolve these, albeit with some support from audit as well as other support functions from across the council including finance and school advisers. Similarly, there is sometimes little value that an audit can add where the Council already knows of issues at a particular school.

The detailed plan

Based upon discussions with senior managers and our professional judgement an indicative priority and an estimated number of days have been allocated to each potential topic. The Council's strategic risks and the key planned work to provide assurance on these risks are shown in Annex 1. 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 therefore adopt a top-down approach with the plan being driven by key risks.

The outline plan in Annex 2 shows those topics that we are planning to audit and Annex 3 details an illustrative list of topics that we are not planning to audit. The plan takes into account the resources available within the audit service, risk and other assurance frameworks that exist from which the council can gain assurance.

As in previous years the plan covers one year which is accepted best professional practice. Whilst an indicative timing is included, and a view taken on time required, this is subject to review during the year e.g. when risks change or a specific project becomes a matter of priority or a significant fraud has to be investigated.

In addition to the assurance and advisory work listed, provision has been made in our work plan to:

- undertake investigations;
- complete outstanding 2024-25 audits;

- certification of financial returns where grant conditions require this; and
- counter-fraud work to maintain counter-fraud policies and to promote and raise the profile of counter fraud messages. This work will supplement the Council's on-going participation in the National Fraud Initiative which the internal audit team coordinates.

Quality Assurance and Improvement Programme

The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP) covering all aspects of the internal audit activity. We had a formal external review of compliance with the standards in 2023 and this confirmed compliance with all of the standards.

From April 2025 the PSIAS will be replaced by new standards designated as Global Internal Audit Standards in the UK Public Sector. The QAIP is being updated to reflect the latest requirement. It 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 standards and an evaluation of whether internal auditors apply the Code of Ethics. We have an Audit Manual based on accepted professional practice which is also being updated to reflect the new standards. A summary of the QAIP is shown in Annex 4.

Paul Clarke
Internal Audit Manager

March 2025

Strategic Risks

Extract from Council's strategic risk register		Independent Assurance Sources	
	Strategic Risk Description	Other sources of assurance	Examples of proposed internal audit role / planned assignments
01.	Slow economic growth and increase in inequalities across communities		Growth funding, Car Parking, Highways maintenance, Trading Standards
02.	Mismatch between demand and resources		Suspense Accounts, Major Projects, Early years funding, Section 19 of the Education Bill and provision of education to children unable to attend school, Fire – Workforce Planning and Talent management
03.	Being unable to keep children and vulnerable adults safe	Ofsted, CQC	Schools in deficit, Elective Home Education, Recruitment and Retention, Exclusion
04.	Lack of movement towards Sustainable Futures		Climate change, Collaborative Agreements
05.	Failure to operate		CRISP, Business Support services, Fire Services – Benefits Realisation, Learning and Development Partnerships, Procurement
06	Insufficient skilled and experienced workforce		Mandatory Training, Sickness absence, Operability of Better care Fund
07.	Successful cyber attack	PSN certification	Cyber Security
08.	A safe environment for colleagues may not be sustained		Mandatory training, health and safety

Planned Work 2025-26

Strategic Priority:		We want Warwickshire to have a thriving economy and places that have the right jobs, skills, education and infrastructure
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Directorate	Service	Topic	Notes
Communities	Environment, Planning and Transport	Road Maintenance (Potholes)	Review of the robustness and accuracy of maintenance of potholes and benchmarking with other authorities, insurance claims and payouts.
Communities	Environment, Planning and Transport	Car Parking	Linkage to town centre development, flow of traffic etc. Review of the Council's Car Parking Strategy, charging and management of resident parking permits, move to digital passes and bench marking with other local authorities.
Communities	Economy and Place	Adult Skills Fund	Following the Warwickshire Devolution Agreement; a readiness review of controls and processes (including payment to providers) in preparation for devolving authority of the Adult Skills Fund from the Department of Education to the Council.
Communities	Environment, Planning and Transport	SEND - School Transportation	Review of the transport for special needs and engagement of schools for future transport provision including SEND.
Communities	Environment, Planning and Transport	Trading Standards	Proceeds of Crime Act 2002 (POCA) - Review of roles and responsibilities linking to investigations and proceeds from crime.
Communities	Fire	Benefits Realisation	Following the introduction of the new operating model this is an assurance review of the delivery of expected benefits of revised human resource deployment arrangements.
Communities	Fire	Collaborative Agreements	A number of collaborative agreements are in place, e.g. Northants around fire control and share ICT of the control room. In the context of the new operating model this is to provide assurance on the effectiveness of arrangements for the identification, evaluation, entering, and monitoring the delivery of collaborative agreements.

Directorate	Service	Topic	Notes
Communities	Fire	Workforce planning and talent management	Following the last outcome report by HM Inspectorate assurance review relating to position processes, appraisal and succession planning.

Strategic Priority:



We want to be a County where all people can live their best lives; where communities and individuals are supported to live safely, healthily, happily and independently

Directorate	Service	Topic	Notes
Communities	Strategic Infrastructure and Climate Change	Climate Change	Net Zero 2030 ambition. Evaluation of the readiness for the 2030 target. The two services that will be particularly relevant will be Property Services and Fleet both contributing to the CO2 emissions.
Communities	Strategic Infrastructure and Climate Change	Major Projects – Implementation of lessons learned	The audit will cover implementation of lessons and risk mitigations.
Children and Young People	Education	Themed schools' visits	Focus on themes of budget management and deficits and payroll controls.
Children and Young People	Education	Schools in financial difficulty/ deficit	Working with Finance and Education to support timely identification of schools in financial difficulty with the aim of supporting improved financial management
Social Care and Health	Social Care and Health Commissioning	Learning and Development Partnership	Assurance around the impact and effectiveness of this partnership whose core offer is to support our commissioned providers with the learning and development, recruitment and retention of their workforce, including supporting them to meet the conditions of their International Recruitment Sponsor licences.
Social Care and Health	Public Health	Domestic Abuse	Funding arrangements ensuring value for money to deliver services linked to domestic abuse, commissioned by Warwickshire County Council and landscape partners (OPCC, Districts and Boroughs) to provide specialist support for victims in Warwickshire.
Social Care and Health	Social Care and Support	Client Record and Information Systems Programme (CRISP)	Relating to MOSAIC, Synergy and Abacus, ongoing advice, assurance of governance, roles and responsibilities from inception, business readiness and future benefits realisation.
Children and Young People	Education	Elective Home Education.	Review to include outcomes, quality of education, tracking and monitoring systems. Potential to be delivered alongside children missing education (CME) and to take account of the Children's Wellbeing and Schools Bill.

Directorate	Service	Topic	Notes
Children and Young People	Education	S19 - Education Act 1996	Review of duty placed on Local authority for provision of education to children who are medically unable to attend school. Linked to service provided by the Flexible Learning Team. Assurance on application of the updated policy approved November 2024.
Children and Young People	Education	Exclusion	Assurance review of the Council's responsibility in response to and management of exclusion.
Children and Young People	Children and Families	Pathfinder Programme	Aligned to the vision to rebalance children's social care by offering meaningful and effective early support assurance, the review will focus on how well the Council is implementing Pathfinder requirements and VfM as a means of demonstrating its achievements. The review will also consider the governance, roles and responsibilities of family practitioners and social workers.
Children and Young People	Children and Families	Youth Justice	Readiness review following publication of the new framework for inspection in March 2025.
Children and Young People	Children and Families	Children with Disabilities	Review of service access at the point of entry and application of the thresholds, roles and responsibilities and reporting arrangements.
Resources	Enabling Services	Cyber Security	A review of how well the Council is protecting itself from cyber security and risk profiling from the perspective of people and processes.

**Governance, Risk and Controls
Assurances and Advice**

Directorate	Service	Topic	Notes
Resources	Finance	Procurement and Contract Management	Assurance review to consider the impact of the Procurement Act 2023 effective from 24 February 2025.
Resources	Finance	Pensions service	Compliance review against the Pensions Regulator Pensions Code of Practice 2024
Resources	Finance	Debtors	Cyclical review of finance areas. 2025/26 to include review of the debtor's function and aged debts.
Resources	Workforce and Local Services	Sickness Absence	Identified as a key risk on the service risk register. Assurance review to focus on the causes of high levels of sickness, mitigations and timely action by management to reduce sickness levels.
Resources	Workforce and Local Services	Health and Safety	Corporate review across HR and Facilities Management to include review of key performance measures and indicators.
Resources	Workforce and Local Services	Mandatory Training	Review of uptake and accessibility of mandatory training .
Resources	Governance and Policy	Risk Management	Assurance review of risk management arrangements
Resources	Finance	Suspense Accounts	Review of the effectiveness of processes to monitor and manage transactions in a timely manner that flow through the suspense accounts. Review to include review of the Pensions suspense account.

Illustration of auditable topics not planned for 2025-26

In addition to the coverage of key risk areas discussed at Annexes 1 and 2 above, the Global Internal Audit Standards in the UK Public Sector require the strategy to be open about those audit areas not covered in 2025-26. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2025-26. However, should planned audits not take place topics from this list can be substituted.

Directorate	Area
Resources	Governance review of the Council Delivery Plan (not selected as an audit as this is part of business as usual and underpins all audit work)
Communities	Archaeology Warwickshire
People	Reablement service
Resources	Better Care Fund – self service and uptake of digital services
Resources	Taxation compliance including IR35
Resources	Warwickshire Investment Fund
Resources	Performance Management
Resources	Business Support Services

Annex 4: QAIP

Quality Assurance and Improvement Programme (QAIP)



Periodic external assessments and self-assessments against Global Internal Audit Standards in the UK Public Sector. Robust performance monitoring. Post assignment de-brief and post assignment questionnaires



Quality improvement plan – CAE reports to Audit Committee on the outcome of Quality Assurance including any improvement action plan and any significant non-conformance with Global Internal Audit Standards in the UK Public Sector



Ongoing monitoring and quality assurance is built into the audit process. Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied.



Chief Audit Executive

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



Engagement Managers

- Undertake supervision and review audit engagements
- Obtain assurance from supervision and review processes that engagement planning, fieldwork conduct and reporting/ communicating results adheres to Global Internal Audit Standards in the UK Public Sector
- Provide CAE with regular reports on outcome of reviews, performance against key service measures etc.
- Provide feedback to auditors on quality of their work
- Promote high professional standards and compliance with Global Internal Audit Standards in the UK Public Sector
- Continually develop their team members



Auditors

- Conduct audit engagements in accordance with Global Internal Audit Standards in the UK Public Sector
- Deliver all assignments on time and within budget

All

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