



Internal Audit Strategy 2016/17

"Providing assurance on the management of risks"

Internal Audit Strategy

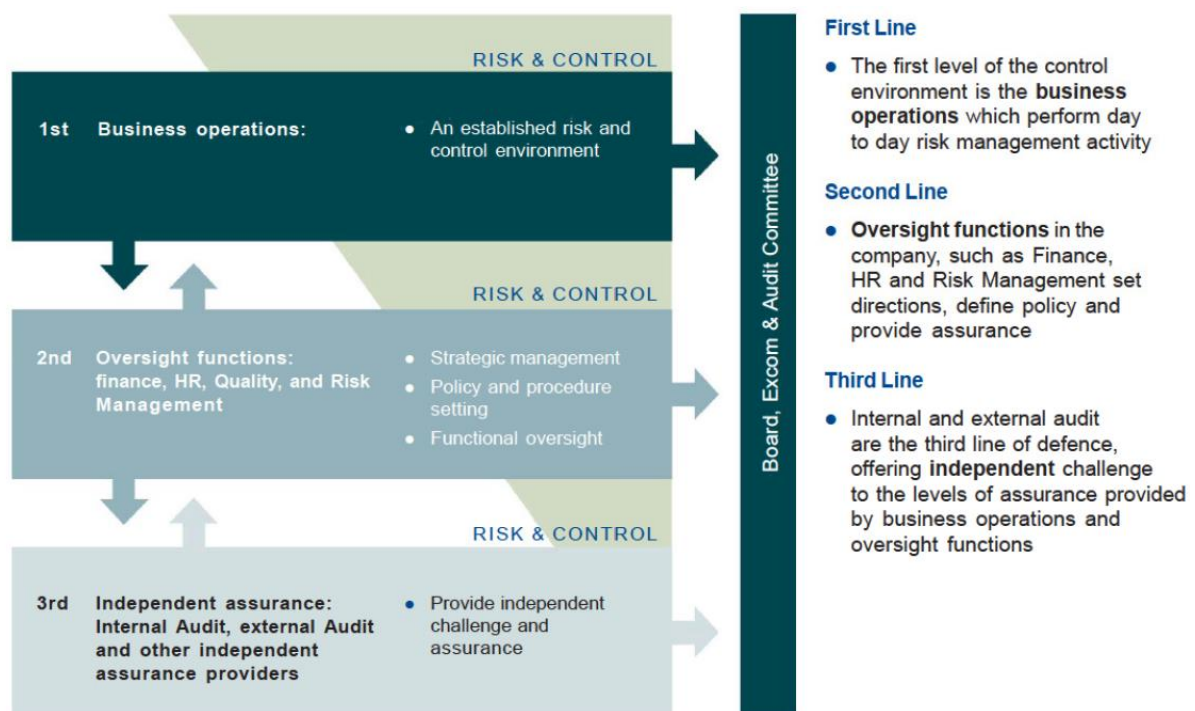
“Providing assurance on the management of risks”

This document sets out the Internal Audit Strategy 2016/2017 for Worcestershire County Council. These services are provided by the Risk and Assurance Service of Warwickshire County Council under an administrative delegation of internal audit functions from Worcestershire to Warwickshire. This document complements the Audit Charter and the formal agreement with Warwickshire. The Chief Risk and Assurance Manager of Warwickshire is the Council’s designated Head of Internal Audit.

Services

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

The key to the Council’s success is to manage these risks effectively. 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 audit's role by undertaking roles that are properly the responsibility of the first or second line of defence should be avoided.

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

Assurance

We develop and then deliver a programme of internal audits to provide independent assurance to senior management and members that significant risks are being addressed. To do this, we will evaluate the quality of risk management processes, systems of financial and management control and governance processes and report this directly and independently to the most senior level of management. In accordance with regulatory requirements most individual 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 Governance Committee. To assist managers in addressing areas for improvement, recommendations are classified as: Fundamental, Significant and Merits Attention.

Advice

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

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

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

Challenge

Champion

Catalyst for improvement

It is more constructive for us to advise on design of

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

Irregularities

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

All significant investigations will be undertaken by the Service but more minor matters will be referred back to the service manager to progress with support from the audit team. The decision on which cases will be investigated will be made by the Head of Internal Audit in conjunction with the Chief Financial Officer.

Counter fraud

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

Context

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 state that a local authority is responsible for ensuring that it's financial and operational management is effective and that it has a sound system of internal control which includes arrangements for the management of risk.

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 Chief Financial Officer.

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 (Directors, Heads of Service, managers and the Audit and Governance Committee) and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant business risks. We help the Council achieve its objectives by providing assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of the Council's control environment which feeds into the Annual Governance Statement.

Vision, purpose and values

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

As a modern effective risk and assurance service we:

- Act as a catalyst for improvement at the heart of the organisation
- Influence and promote the ethics, behaviour and standards of the organisation
- Develop a risk aware culture that enables customers to make informed decisions
- Are forward looking
- Continually improve the quality of our services

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

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

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

- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands.
- Continue to invest in modern technology to improve efficiency and effectiveness.

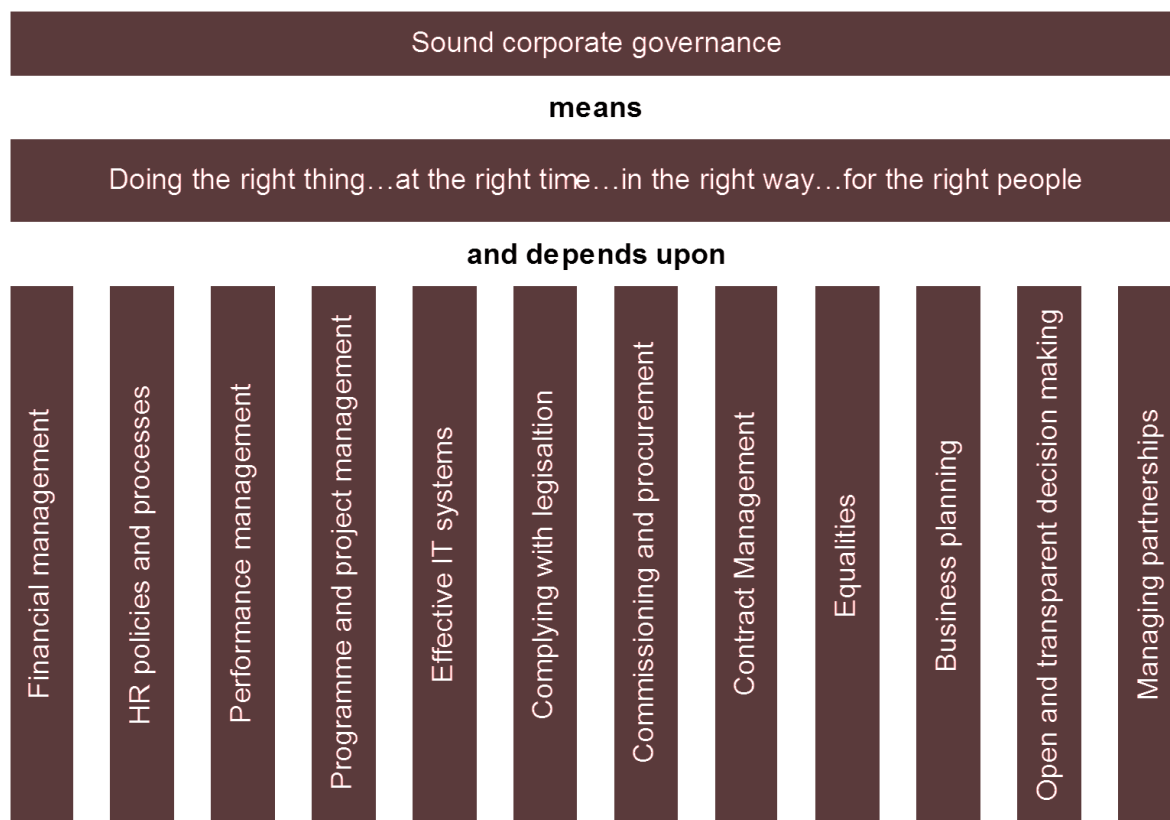
- Add value and make best use of our resources by focussing on key risks facing our customers.
- Increasingly work in partnership with clients to improve controls and performance generally. We must add value and help deliver innovations in service delivery.
- Continue to buy in specialist help – particularly in IT.

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

Our approach for 2016 / 2017

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

Figure 1: Key corporate processes



To make the best use of our limited resources we have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management to identify areas for review where management require assurance that systems of internal control are adequate and operating effectively. The results of these discussions are supplemented by reviewing entries in the corporate risk

register, work on key financial systems and audits of topics not previously audited or audited some time ago. In addition, the Head of Audit regularly attends various professional networking meetings which highlight wider the issues affecting local government internal audit which need to be reflected in the programme of work. 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 Worcestershire. However, although there are a number of inputs into the audit planning process ultimately the plan is based upon the professional judgement of the Head of Internal Audit.

To minimise duplication and make the best use of limited resources we aim to rely on work undertaken by other internal assurance providers rather than undertake our own detailed checks. Similarly, although our roles and responsibilities are different the service continues to liaise closely with the Council's external auditors.

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

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



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

- **Advice**

The Council is continuing to undergo significant changes so provision has been included to allow us to respond to requests for advice during the year. In addition to the specific tasks outlined an allocation of time has been reserved for providing advice on general issues that might arise during the year.

- **Value for money**

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

attention to identifying opportunities to reduce over-control, and streamline processes.

- **Counter fraud**

The Council is fortunate in not having a large number of irregularities but provision has been included in the plan for any investigations that are required based on past experience of the number and complexity of cases. Also included in this category is the work arising from the Council's mandatory participation in the National Fraud Initiative.

Quality Assurance and Improvement Programme

The PSIAS require the Head of Internal Audit to develop and maintain a quality assurance and improvement programme (QAIP) covering all aspects of the internal audit activity.

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

Figure 2: Workplan 2016/2017

	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
1	Adult Social Services	Your life your choice (E-marketplace)	On going advice.	Various	H	Health and Wellbeing
2	Adult Social Services	Reviewing	Process for reviewing relevance of care plans	Richard Harling	H	Health and Wellbeing
3	Adult Social Services	Cash handling	Visits to a random sample of establishments to review cash handling arrangements including service user funds.	Anne Clarke	H	Health and Wellbeing
4	Adult Social Services	Case file audits	Quality of data recording and standards of case notes. Directorate processes to ensure compliance with recording standards / processes.	Anne Clarke	H	Health and Wellbeing
5	Adult Social Services	DoLS.	Adequacy of the arrangements in place to meet statutory duties and responsibilities in relation to the Deprivation of liberties process.	Anne Clarke	H	Health and Wellbeing
6	Adult Social Services	Commissioning & Placement process	Review the application of the Choice of Accommodation Policy. Whole process review.	Anne Clarke / Richard Keble	H	Health and Wellbeing
7	Adult Social Services	Safeguarding vulnerable adults	Safeguarding of vulnerable adults	Richard Harling / Sander Kristel	H	Health and Wellbeing
8	Adult Social Services	Financial assessments	Application of charging policy – Financial Assessment Team.	Richard Harling	H	Health and Wellbeing

	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
9	Children, Families and Communities	Trading standards	Review of service following transfer back to the Council.	Neil Anderson / John Hobbs	M	Children and Families
10	Children, Families and Communities	Placement in residential care	Review process for placing children in out of County establishments, including procurement arrangements.	Jake Shaw	M	Children and Families
11	Children, Families and Communities	Connecting families	Starting well service	Clare Marchant	M	Children and Families
12	Children, Families and Communities	Learning & achievement contract	Contract monitoring arrangements.	John Edwards	H	Children and Families
13	Children, Families and Communities	Individual schools audits	Themed visits to a random sample of schools to review key risk areas.	John Edwards	M	Children and Families
14	Children, Families and Communities	Case files	Quality of data recording and standards of case notes.	Di Partridge	H	Children and Families
15	Children, Families and Communities	Schools - themed audit	Management of school reserves	Simon White	M	Children and Families
16	Children, Families and Communities	Children Recovery Plan	Adequacy of monitoring of recovery plan. Accuracy and timeliness of financial information presented to Board	Various	H	Children and Families
17	Children, Families and Communities	Stronger families	Review of Payments by results claims where necessary and on-going advice.	External requirement	H	Children and Families
18	Children, Families and Communities	Edge of Care Programme	Review of how investment in Edge of care programme is being managed.	Jake Shaw	M	Children and Families
19	COACH	HR policies	Advisory input into review of HR policies	Elaine Chandler	H	Core Systems

	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
20	COACH	Broadband	Advice on checking processes		M	Open for business
21	COACH	Commissioning	Advisory input into work of Procurement Board	Jo Charles / Sean Pearce	H	Core Systems
22	COACH	Performance management	Are existing arrangements appropriate	Jo Charles / Sander Kristel	M	Core Systems
23	COACH	Property management	Advisory input into contract monitoring arrangements.	Peter Bishop	H	Corporate
24	COACH	ICT projects and programmes	Full review of project governance across key projects including appropriate project management methodology applied	Alan Barber	H	Corporate
25	COACH	Infrastructure	Resilience and security of configuration, setup (including active directory and local admin rights), change control.	Alan Barber	H	Corporate
26	COACH	IT disaster recovery & failover	Review of robustness of arrangements for recovery from an IT incident	Alan Barber	H	Corporate
27	COACH	User access	Access to network resources by external (non-WCC employees) and management of same.	Alan Barber	H	Corporate
28	COACH	Liberata	Advisory input on transactional HR/Finance transformation.	Various	H	Corporate
29	COACH	Liberata	Contract management	Various	H	Corporate

	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
30	COACH	Payroll	Assurance on those elements of payroll system still operated by Worcestershire / not outsourced to Liberata. Specific topics to be identified.	Various	M	Core Systems
31	COACH	Financial and commercial management skills [was Finance self service]	Review of the operation of finance self service. Management of budgets by managers. Financial skills of managers and level of support & training available to them. Forecasting / profiling of budgets. Assurance that managers have the commercial skills to manage external contracts and the adequacy of support / training available.	Sander Kristel	H	Core Systems
32	COACH	Business Continuity	Review of Business Continuity arrangements.	Jo Charles	M	Core Systems
33	Corporate	Use of Consultants	Audit to ensure that the issues highlighted in previous audits have been fully implemented.	Various	H	Corporate

	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
34	Corporate	Information Management	Review of actions taken to address issues raised in the ICO audit and assurance that outcomes are fully embedded.	Neil Anderson	H	Core Systems
35	Corporate	Section 106	Corporate review of management of s106 funding and also s278/38.	Nigel Hudson	H	Corporate
36	Corporate	Risk management	Advisory work throughout the year. Primarily via attendance at corporate risk management group.		M	Core Systems
37	Economy and Infrastructure	Project management	Advisory input into development of E&I virtual project management office	Various	H	Open for business

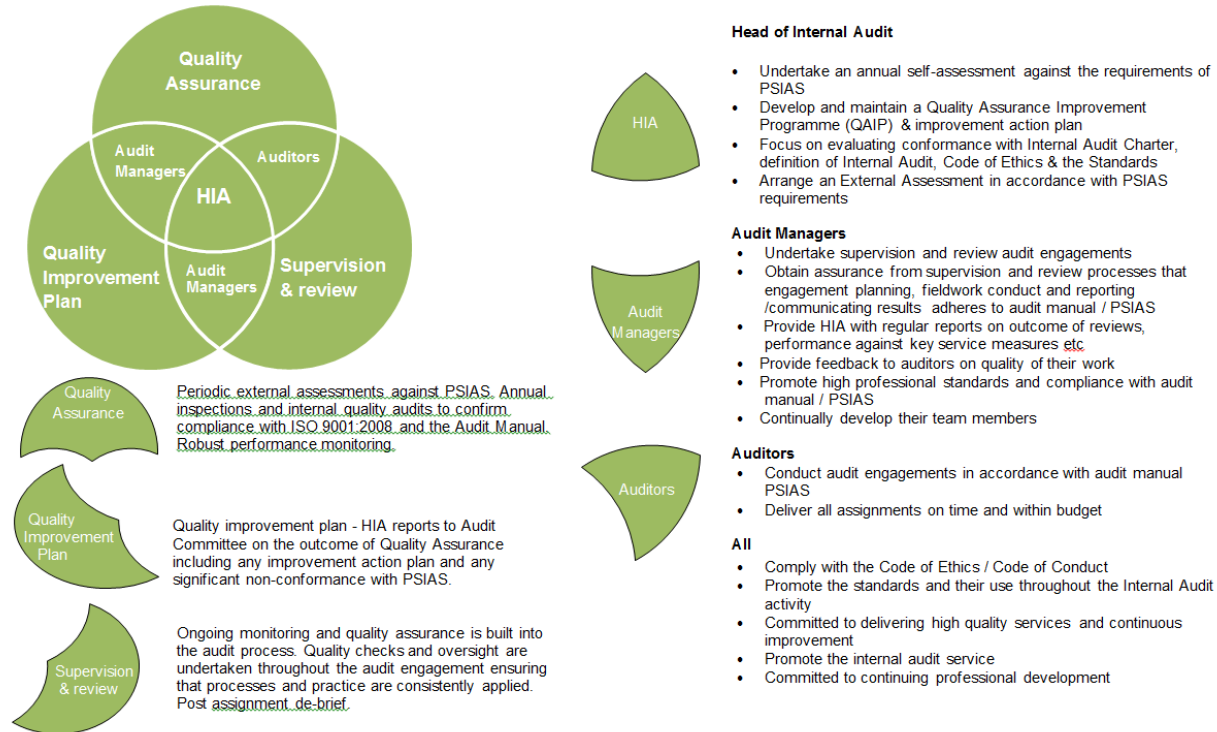
	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
38	Economy and Infrastructure	Archives and Archaeology	Advisory input into commercialisation of the service.	Nigel Hudson	M	Open for business
39	Economy and Infrastructure	Transport	Advisory input into retendering of transport contracts.	Paul Smith	H	Open for business
40	Economy and Infrastructure	Economic development	Inward investment and development of skills.	John Hobbs / Clare Marchant	H	Open for business
41	Economy and Infrastructure	Malvern Link & Worcester Foregate Street	Final account audit	Various	M	Open for business
42	Economy and Infrastructure	Evesham Abbey Bridge	Lessons to be learnt from project and review of outcome of review by forensic specialists.	Variious	M	Open for business
43	Economy and Infrastructure	Transport Infrastructure Funding	Development of highwys maintenance programme and monitoring of effectiveness of transport initiatives.	Clare Marchant	M	Open for business
44	Economy and Infrastructure	Local Growth Fund	Grant certification	External requirement	H	Open for business

	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
45	Economy and Infrastructure	Growth Hub	Grant certification	External requirement	H	Open for business
46	Economy and Infrastructure	Local transport plan - Structural Maintenance	Grant certification	External requirement	H	Open for business
47	Economy and Infrastructure	Local transport plan - Integrated Block	Grant certification	External requirement	H	Open for business
48	Economy and Infrastructure	Pinchpoint	Grant certification	External requirement	H	Open for business
49	Economy and Infrastructure	Bus Services Operators Grant	Grant certification	External requirement	H	Open for business
50	Economy and Infrastructure	Permit / access to the highway	Review of systems for managing contractor permits especially access charges to contractors where works overruns have occurred.	John Hobbs	M	Open for business
51	Finance	Pensions	Investment management	Mark Forrester	M	External
52	Finance	Treasury management	Review of lending arrangements.	Internal Audit	H	Core Systems
53	Finance	Financial systems	Assurance on those elements of financial systems still operated by Worcestershire / not outsourced to Liberata.	Various	M	Core Systems
54	Finance	NFI	Participation in the 2016 National Fraud Initiative	Internal Audit	H	Core Systems
55	Finance	Counter fraud	Review of counter fraud policies as per counter fraud plan. Publication of fraud transparency data.	Internal Audit	H	Core Systems
56	IEWM		Scope to be confirmed		H	External

	Service	Audit	Outline Scope	Source	Priority H/M/L	Corporate plan priority
57	Public Health	All age prevention strategy	Advisory input into tendering and proposed contract monitoring process.	Francis Howie	H	Health & wellbeing/Children and Families

Figure 3: QAIP

Internal Audit Service – Quality Assurance and Improvement Programme



G Rollason
Head of Internal Audit
10 June 2016