AUDIT AND GOVERNANCE COMMITTEE　　　　　　　　**23 March 2012**

CORPORATE ASSURANCE MAP 2012/13

Report of the Head of Corporate Assurance and Procurement

1.　　Purpose of Report

1.1　　To enable the Audit and Governance Committee to consider and comment on the proposed Corporate Assurance Map and the supporting plans for the Internal Audit and Risk and Assurance teams for 2012/13.

2.　　Background

2.1　　In January 2012 the Committee ratified the introduction of a new Integrated Assurance Framework which aims to co-ordinate the key sources of assurance within the Council in relation to strategic and corporate risk areas and make the process for gathering the assurance more efficient and effective. This report presents the Corporate Assurance Map for 2012/13 and sets out where assurance will be obtained from, including the plans of work for Internal Audit and the Risk and Assurance team.

2.2　　For completeness, the Plan covers Internal Audit's key performance measures. The report does not set out the work to be undertaken for associated bodies for which the Council has a lead responsibility, this is a matter for the bodies concerned.

3.　　Recommendation

3.1　　The Audit and Governance Committee is invited to consider and, if appropriate, make comment on the proposed Corporate Assurance Map and the plans of work for the Internal Audit and Risk and Assurance teams.

4.　　Background Papers

　　　　Presentation to the Audit and Governance Committee – January 2012

Corporate Assurance Map and Supporting Plans 2012/13

1.   Introduction

1.1   In order for the Council to ensure that robust arrangements for managing its affairs and completing its Annual Governance Statement with some certainty, it must have in place three key elements: Governance, Risk Management and Assurance. All of these elements are interrelated and are crucial to the Council. The three elements can be described as follows:

- Governance – A framework of rules and practices by which an organisation is managed. It includes roles, responsibilities and limits of authority, organisational and committee structures, and policies, frameworks and regulations.

- Risk Management – A set of processes through which management identifies, assesses and where necessary responds appropriately to risks through mitigating actions or taking opportunities.

- Assurance – Method of monitoring compliance with the established governance arrangements of the organisation and the efficiency and effectiveness of how risks identified are managed.

1.2   These three elements are inter-dependent as assurance activity will assess compliance with governance arrangements, identify issues which require additional governance and may highlight risks which were thought to be well managed. Risks identified require additional governance and may influence the focus of assurance activity, and when reviewing governance arrangements new risks may be identified which need to be managed. An environment of good internal control within the Council will support the three elements but internal control is not just about policies and procedures, it is also the actions taken by employees at all levels to achieve objectives that sets the culture of the organisation.

2.   Integrated Approach

2.1   To provide a robust overall view of the three elements described above an integrated approach should be adopted, i.e. an Integrated Assurance Framework. The framework needs to extend throughout the business and not just reside in specialist corporate functions, with the aim being for it to be embedded into everyday operations. Co-ordinated efforts with other assurance providers will maximise efficiencies and reduce the burden on the everyday activities of the Council.

2.2   The structure of the framework needs to consider the independence of the assurance provider, i.e. the extent to which the assurance provider is removed from those charged with the design and operation of suitable controls. It is considered appropriate that a '3 lines of defence' model be used. This approach incorporates the following levels:

- 1st line – management: focus on owning, designing and operating controls. Management must understand their responsibilities and accountabilities.

- 2nd line – specialist functions: focus on guiding, supporting and challenging management. This role will need to be formalised within the overall framework.

- 3rd line – has independent reporting lines, this is Internal Audit.

2.3   In order for the integrated framework to be successful assurance will be obtained from each level (line) as appropriate. Management will provide assurance in the form of self assessments / certifications at Head of Service and Executive Director level. This will be taken into account in the overall level of assurance but by its very nature can only be limited assurance.

2.4   Specialist functions generally fulfil a corporate role within the Council, and although not their primary role, they do provide a level of assurance as to the Council's governance arrangements. This assurance has been considered through the Annual Governance review in the past but needs to be better co-ordinated with the other sources of assurance. This type of assurance also needs to be formalised to ensure that it fits in with the overall framework and the other sources of assurance. Work will be undertaken with the specialist functions during 2012/13 to achieve the maximum benefit.

2.5   The current Risk Management and Internal Audit teams are being restructured to better support the framework and the Council through the many challenges it is facing. Two new teams are being developed, one being Internal Audit but with a much reduced scope of work, concentrating purely on internal audit work in relation to established controls and arrangements. The new Risk and Assurance team will undertake the 'guide, support and challenge' role previously carried out by the Risk Management team in supporting managers to identify, assess and manage risks, and the Internal Audit team in relation to providing advice regarding control during systems developments and major changes to arrangements. This new team will sit in the 2nd line and will work closely with managers involved in projects, service reviews, and the implementation of new service delivery models to ensure that the arrangements developed include appropriate governance and controls and therefore are able to provide a level of assurance on the arrangements due to their knowledge in this regard supplemented by how well risks are being managed.

3   Corporate Assurance Map

3.1   To ensure the Council obtains assurance on what is important, from the right sources in an effective and efficient way, it is necessary to 'map' the assurances required and their sources.

3.2   To do this it will be necessary to:

- Clarify the current assurance landscape – agree roles, responsibilities and core activities with reference to the 3 lines of defence model. Identify any potential overlap and 'hidden' assurance.

- Identify cross-reliance opportunities – focus on the overall assurance picture rather than the work of individual functions. Identify areas where reliance can be placed on others. Determine the factors that will allow reliance to be placed and identify gaps.

- Ensure assurance is consistent – consistent governance, risk and assurance language. Consistent reporting of issues, and working together on an ongoing basis to identify further opportunities.

- Review and update assurance provider remits – identify unnecessary duplication and understand where different assurance providers may need to have a role in the same areas. Articulate the degrees of assurance and align the remits though appropriate documents.

3.3   To date, the above has only been considered in detail in relation to Internal Audit and Risk Management. There is much more work to do to align and formalise the activities of all assurance providers. This will be done with the help of a private sector partner which will be procured to provide this support, as well as providing support where the in-house teams are unable to undertake work due to capacity or experience.

3.4   However, work has been undertaken to identify what areas the Council requires assurance on and who can provide assurance in relation the management of risks in those areas. It should be noted that the Integrated Assurance Framework does not provide assurance on the achievement of the Council's priorities, only on the arrangements in place to manage the risks associated with achieving the priorities.

3.5   The document overleaf constitutes the Council's proposed Corporate Assurance Map. It sets out what areas assurance will be provided on, this is split between the management of risks in relation to the Council's strategic priorities (Corporate Risk Profile) and the corporate risk areas which are generally the inherent risk areas which exist in large organisation such as the Council. The Map also identifies the current assurance position, based upon previous internal audit work, and where assurance will be obtained from during 2012/13.

Corporate Assurance Map

Assurance Position (as at 14th March 2012) (Cumulative)	Management Assurance	Other Internal Assurance Activity						Risk and Assurance	Internal Audit	External Assurance
2012/2013		Legal Services	Financial Resources	Transformation Programmes and Projects	Strategy, Policy and Performance	HR &OD	Business Continuity			
Strategic Risk Areas										
Economy	X				X			X		
Resources (external and internal)	X		X					X		X
Unable to meet needs of the community	X				X			X		
Reputation	X							X		
Social breakdown	X							X		
Lack of effective strategic partnerships	X				X			X		
Planning and responsiveness to national agenda	X				X			X		
Corporate Risk Areas										
Customer Focus / Service	X				X			X	X	
Legality		X							X	
Service / Business Planning	X				X			X	X	
Programme and Project Management				X				X	X	
Change Management	X			X		X		X		
Partnerships	X							X		
Business Continuity Planning	X						X			
Procurement	X								X	
Relationship and Contract Management	X	X	X					X	X	
Financial Management	X		X					X	X	X
Human Resource Management						X		X	X	
Information Governance	X	X						X	X	
Performance Management	X				X			X	X	
Asset Management	X							X		
ICT Strategy and Delivery	X			X				X		
Fraud and Corruption	X								X	
Risk Management (Service Delivery)	X							X		
Housing Benefits	X								X	
Schools	X		X					X	X	

Key: X=activity planned, White=no coverage, Green=full / substantial assurance, Amber=moderate assurance, Red=limited / no assurance

Previously described as:　　　　　　　　**Good**　　　　　　　　　　　**Satisfactory**　　　　　　**Unsatisfactory**

3.6   It can be seen that the majority of areas in relation to strategic risk are currently shown as Amber (moderate assurance) with two areas being Red (limited/no assurance). This reflects that a number of these are largely due to external factors which the Council is having to manage. In future reports a view be provided on how well the Council is responding in these areas. Mitigating actions are currently being developed and progress in relation to managing the risks identified will be reported to Members.

3.7   The current assurance position in relation to the corporate risk areas is either Amber or Green in all cases. Members should not be concerned about the number of risk areas which are Amber. This is a positive position given the significant amount of change ongoing within the Council, with a significant movement of experienced staff and changes to procedures and ways of working. The Map shows that although there are improvements needed in a number of areas there has not been any significant breakdown in control during this period of unprecedented change. It is expected that the level of assurance in relation to a number of these areas will improve as the new integrated assurance framework is implemented.

3.8   The Map has been prepared based on current knowledge of the assurance position from Internal Audit work, a risk assessment covering all of the corporate risk areas and consultation with the Chief Executive, all Executive Directors and key offers across the Council. As previously mentioned, work will be undertaken with the other functions providing assurance during the coming year to develop a more efficient and effective way of working.

3.9   The work to be undertaken by Internal Audit in support of the Map is shown at Appendix 1. The appendix shows all of the audits that contribute to providing assurance against each risk area (some audits provide assurance to more than one risk area).

3.10   The plan of activity for the Risk and Assurance team is shown at Appendix 2. This is a high level plan as much of the work of the team cannot be planned in detail. The team will be involved in providing support, challenge and assurance to all of the major projects ongoing, especially those considering alternative service delivery models, service areas, partnerships and schools.

3.11   Performance measures for the Internal Audit team are shown at Appendix 3.

4.   Aims for the coming year

4.1   Currently, the Council's assurance arrangements are largely reactive with a high level annual self certification exercise through the Annual Governance review. Internal Audit are relied upon to provide the assurance in relation to the day to day activities of the Council. By following the framework set out above the aim is to reach a balanced state where there is a still self certification arrangements but also a structured programme of monitoring compliance with key governance arrangements, and an Internal Audit programme informed by the assurance activity ongoing elsewhere. It can be seen in the Map above that Internal Audit are not carrying out work in relation to all of the risk areas identified, as they will seek to rely on the work of others.

4.2   Working together with other assurance providers will be key to making the framework effective and efficient. This will maximise the benefits and assurance obtained whilst minimising the resources required. Obtaining assurance on an ongoing basis will also be key and arrangements are already being put in place to gather the results of assurance activity as it takes place.

5.   Reporting Protocols

5.1   A quarterly progress report will be presented to the Committee and to each Executive Director in relation to the assurance activity relevant to their Directorate. This will indicate the level of assurance provided any major findings arising from the work undertaken. Any areas requiring improvement will be highlighted to Members for them to consider. Given the innovative nature of this approach the Map itself will also be kept review on a quarterly basis.

5.2   An Annual Report and Annual Corporate Assurance map will be prepared for Cabinet and the Audit and Governance Committee in order to provide assurance or otherwise, and enable the Annual Governance Statement to be completed.

Detailed Audit Coverage

Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2012/13
Customer Focus	34%	Area still very much developing. Risk and Assurance Team to provide support to managers through major projects. Limited work by Internal Audit	Children's Services Admissions Area Arrangements for Children's Centres Children's Services – Safeguarding Personal Budgets
Legality	25%	Internal Audit work to review arrangements for monitoring that the Council is operating legally, including review of specific areas	Traffic Management and Road Safety Equality Impact Assessments Corporate Legality
Service / Business Planning	27%	Review of the effectiveness of the new arrangements and the impact in specific service areas	Corporate Service/Business Planning Children's Services Admissions Area Arrangements for Children's Centres Children's Services – Safeguarding Traffic Management and Road Safety
Programme and Project Management	52%	Major projects are ongoing, Internal Audit to review the support being provided. Risk and Assurance Team to provide support and challenge to individual projects	Implementation of the Economic Master Plan Landscape and Reclamation Service Programme and Project Management - support to major projects Operating Model – realisation of benefits
Change Management	59%	Risk and Assurance team to provide support and challenge to the change management arrangements through the Project Assurance role	Non Planned – to be covered by the Risk and Assurance Team
Partnerships	43%	Risk and Assurance team to consider developing partnership arrangements through support and challenge provided to project boards	Non Planned – to be covered by the Risk and Assurance Team
Business Continuity and Emergency Planning	32%	Strong corporate arrangements in place. Assurance to be sought from the Business Continuity Officer regarding the arrangements in place in critical service areas	Non Planned

Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2012/13
Procurement	45%	Internal Audit to continue to review a sample of procurements for compliance with the Procurement Procedure Rules. Risk and Assurance team to provide assurance on major procurements such as the new Wear Crossing (SSTC Bridge)	Capital Procurement
Relationship and Contract Management	54%	Internal Audit to review the corporate framework and relationships with new external bodies as they are developed.	Developments in relation provision of Events Care and Support Sunderland Ltd – contract management Corporate Contract Management Framework
Financial Management	46%	Strong controls in place regarding corporate arrangements, however, financial pressures are still significant and there will be significant change in service delivery models so Internal Audit will continue to carry out a proportionate amount of work on financial systems and transactions	YPLA Schools Sixth Form Grant YPLA Young Apprenticeships Cohort 6 Grant YPLA Young Apprenticeships Cohort 7 Grant Department for Business Innovation & Skills – LEP Start Up Fund Department for Business Innovation & Skills – LEP Capacity Fund Deprived Areas Fund Grant Single Investment Programme Grant 1 Leisure Centre 35 Schools Home Improvement Agency – Loans and Mortgages Personal Budgets Direct Payments Care and Support Sunderland Ltd – compliance Landscape and Reclamation Service BACS Payments Cash Receipting checks Capital Procurement Payroll transactions checks Council transactions Tax checks Business Rates transactions checks Accounts Payable transactions checks Accounts Receivable transactions checks

Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2012/13
Human Resource Management	63%	It remains important that policies in relation to attendance, at a time of significant change, continue to be followed. SWITCH remains important to the Council and Internal Audit should continue to carry out work in this area and other initiatives to reduce the size of the workforce.	Corporate Attendance Management Arrangements Management of SWITCH
Information Governance	50%	Security of information is still a key risk given the level of change in the organisation and the move to remote/homeworking. Internal Audit to continue to monitor the implementation of recommendations, carry out security checks and cover in relevant audits.	Vulnerable Adults Protection Arrangements Information Governance checks
Performance Management	35%	New arrangements still being implemented. Internal Audit to review them to ensure they become embedded.	Corporate Performance Management Arrangements Operating Model – Realisation of Benefits
Asset Management	52%	Recent audit of the property asset system, Technology Forge highlighted a number of issues, which will be followed-up. Risk and Assurance team to be involved in the development of the Local Asset Based Vehicle	None Planned – to be covered by the Risk and Assurance Team
ICT Strategy and Delivery	40%	Risk and Assurance team to be heavily involved in the major projects ongoing to support the Council and the strategic priorities	Non Planned – to be covered by the Risk and Assurance Team
Fraud and Corruption	34%	Increased risk due to the economic position and the level of ongoing change within the Council. Specific counter fraud testing and increased checks on financial transactions to be undertaken by Internal Audit	Counter Fraud Checks National Fraud Initiative checks Counter Fraud Checks – schools Home Improvement Agency – Loans and Mortgages Direct Payments Cash Receipting transactions checks Payroll transactions checks Council Tax transactions checks Business Rates transactions checks Housing Benefits transactions checks Accounts Payable transactions checks Accounts Receivable transactions checks

Corporate Risk Area	Internal Audit Risk Assessment (Residual Risk)	Implication for the Audit Plan	Audits Planned 2012/13
Risk Management (service delivery)	24%	Risk and Assurance team to support managers to identify, assess and monitor risks. Increased focus on providing assurance that mitigating actions are implemented and are being effective	Non Planned – to be covered by the Risk and Assurance Team
Housing Benefits	28%	Internal Audit to carry out regular transactions testing. Risk and Assurance team to be involved in developments in relation to welfare reform	Housing Benefit transactions checks
Schools	20%	Generally, a high level of control within schools although the changing relationship with the Council could lead to them receiving less support. High level review undertaken by Internal Audit to provide assurance over financial management. Risk and Assurance team to provide additional support in relation managing the wider risks in schools	35 school audits plus specific counter fraud work

Risk and Assurance Plan

Area of activity	Estimated Days
Corporate Risk Profile	100
Supporting Executive Directors and Heads of Service to manage risks	120
Service Reviews (including alternative service delivery models), Programmes and Projects (including ICT)	835
Support to Schools	45
Partnerships	70
Governance Review	11
Financial Appraisals of Potential Suppliers	60
General Advice, Guidance and Support regarding service developments	140
Investigations	355
Contingency (for unforeseen work/requests)	150
Total	**1,886**

Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2012/13		
Efficiency and Effectiveness		
Objectives	**KPI's**	**Targets**
1) To ensure the service provided is effective and efficient.	1) Complete sufficient audit work to provide an opinion on the corporate risk areas	1) All corporate risk areas covered over a 3 year period
	2) Percentage of draft reports issued within 15 days of the end of fieldwork	2) 90%
	3) Percentage of audits completed by the target date (from scoping meeting to issue of draft report)	3) 70%

Internal Audit and Counter Fraud Unit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2012/13		
Quality		
Objectives	**KPI's**	**Targets**
1) To maintain an effective system of Quality Assurance	1) Opinion of External Auditor	1) Satisfactory opinion
2) To ensure recommendations made by the service are agreed and implemented	2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	2) 100% for high and significant. 90% for medium risk
Client Satisfaction		
Objectives	**KPI's**	**Targets**
1) To ensure that clients are satisfied with the service and consider it to be good quality	1) Results of Post Audit Questionnaires	1) Overall average score of better than 1.5 (where 1=Good and 4=Poor)
	2) Results of other Questionnaires	2) Results classed as 'Good'
	3) Number of Complaints / Compliments	3) No target – actual numbers will be reported