Appendix A - Assurance Mapping Summary

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November 2016

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Background

The Institute of Internal Auditors (IIA) describes Assurance Mapping as a tool to ensure key risks are assured across an organisation, by driving out gaps and overlaps to ensure resources are targeted at critical risks. By performing this exercise, we are able to ensure that the Internal Audit Shared Service is fully optimised, enabling each member borough to manage risk more effectively. This is what we have aimed to achieve with the Assurance Mapping exercise at the London Borough of Ealing (the Council). For the last three months we have worked with the Council to provide an independent perspective, grounded in the risks facing the Council, of where assurance resource could be prioritised. We have used this to help inform where internal audit resource should be directed to refine this years audit plan, to ensure that duplications of assurance activities or gaps in coverage are identified.
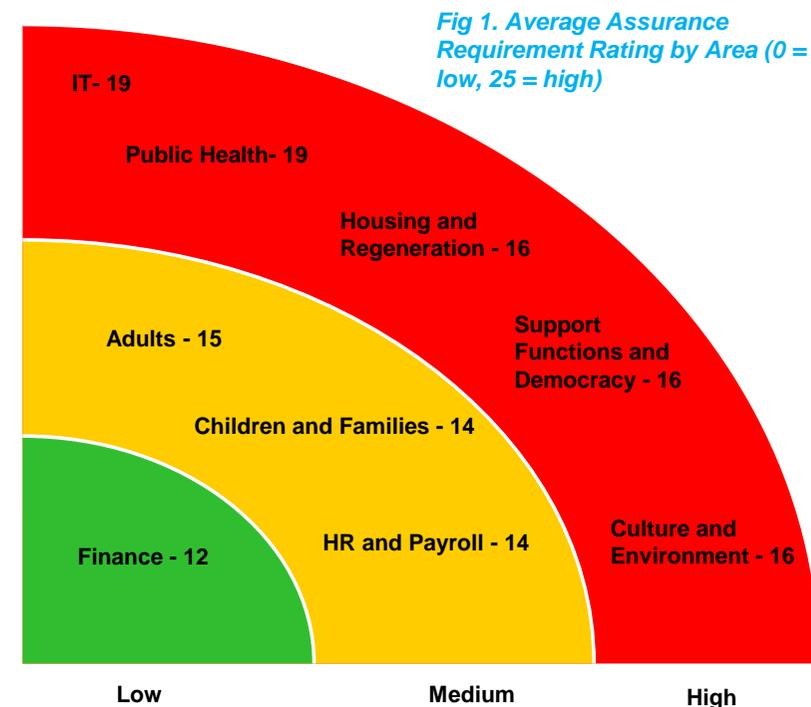
Key observations

Average assurance requirement rating

Our Assurance Map includes over 200 individual 'auditable units' i.e. key activities performed by the Council which could be audited by Internal Audit. These have been consolidated into sub groups (tailored to the Council's structure). The Assurance Map demonstrates that the Council has several assurance processes and sources over its key risks for each auditable unit, including (but not limited to): External Audit; Ofsted inspections; Trading Standards inspections; and independently commissioned reviews. These assurance sources, together with the Council's risk management approach, help to ensure that key risks are being managed effectively.

We considered these assurance sources and the risks they covered, to determine where there were gaps and/or overlaps in assurance and to determine an 'assurance requirement' rating for each auditable unit. The heat map opposite shows the *average* assurance requirement rating by Council sub-group and suggests that assurance resources may need to be directed at those areas with a higher average assurance requirement rating (a score of >16).

Our report sets out our analysis of these results, including any factors impacting the data and how we have used these results to ensure that the 2016/17 Internal Audit Plan is targeted at higher risk areas where there is less independent assurance. Please see **Section 2: Summary of findings** for this analysis..

Fig 1. Average Assurance Requirement Rating by Area (0 = low, 25 = high)

IT- 19

Public Health- 19

Housing and Regeneration - 16

Support Functions and Democracy - 16

Adults - 15

Children and Families - 14

Culture and Environment - 16

Finance - 12

HR and Payroll - 14

Low   Medium   High

Executive Summary (1 of 2)

Sub groups with highest assurance requirement ratings

Our heat map shows the average assurance requirement rating, however auditable units can receive individual ratings between 2 and 25. We class any auditable unit with a score of 20 or higher as having a high assurance requirement rating. The chart opposite shows the total number of auditable units, within each sub group, with a score of 20 or higher.

The suggests that the area requiring most assurance from Internal Audit is Housing and Regeneration. However, this assumption is affected by the size and nature of this sub group and activities performed within it, for example, each of the following areas have been classified as requiring high assurance: asbestos, legionella, gas, electric; all of these fall under the area of 'health and safety' which is one auditable unit within Support Functions and Democracy.

Support Functions and Democracy includes 11 auditable units with high assurance requirement ratings, including: project management, procurement, contract management, risk management, counter fraud, health and safety, IT, corporate estate, complaints, freedom of information and transformation. These areas are fundamental to the operation of the Council.

The remainder of sub groups were relatively consistent with between 3 and 5 auditable units having high assurance requirement ratings, with the exception of Finance. This is because a majority of independent assurance over financial activity will come from the Council's External Auditor's as part of their annual audit of the accounts.

In Finance the one area we identified related to Highways Network Assets; which will be subject to a chance of accounting treatment for the 2016/17 accounts. CIPFA have recommended that Councils ask their Internal Audit teams to assure their process for doing this.

The benefit of this approach is that we have been able to reduce audit input where lower risk profiles have been identified and target our plan at areas of higher risk, please see **Section 2: Summary of findings.**
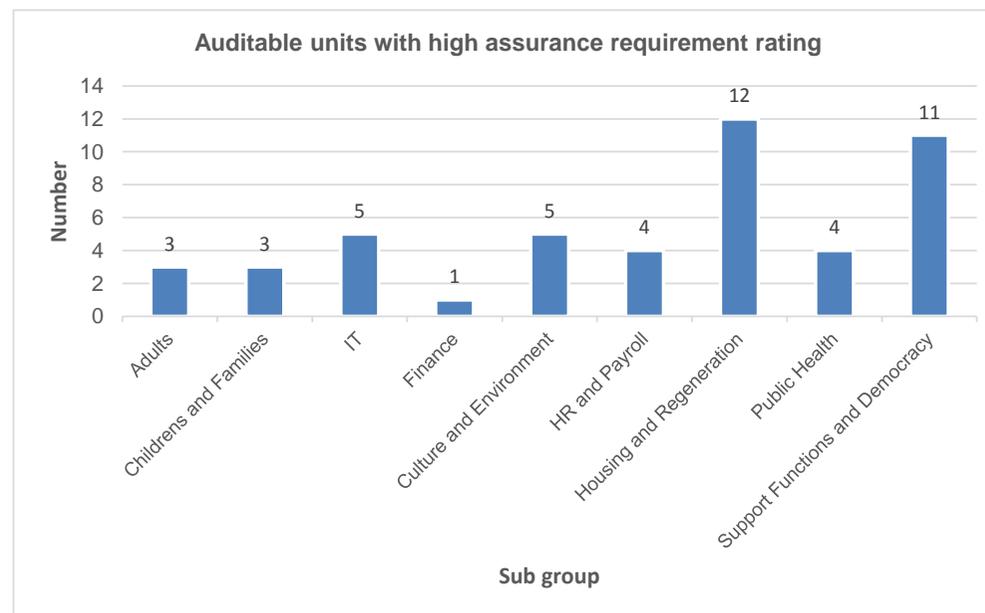

Fig 2. Chart showing total number of auditable units with a score of 20 or higher by sub group

Summary of findings (1 of 3)

Impact on 2016/17 Plan

The Assurance Map includes over 200 individual 'auditable units' i.e. key activities performed by the Council which could be audited by Internal Audit. This is broken down by sub group including:

- Adults
- Childrens and Families
- IT
- Finance
- Culture and Environment
- HR and Payroll
- Housing and Regeneration
- Public Health
- Support Functions and Democracy.

Sub group	Auditable Unit
Finance	Medium Term Financial Strategy and Savings
Finance	Treasury Management
Finance	Housing Benefits
Finance	Housing Rents
Finance	Council Tax
Finance	NNDR
Finance	Grants
Finance	Accounts Receivable
Finance	Accounts Payable

Fig 3. Extract of sub group and auditable unit

This included whether the activity was performed in-house, outsourced, co-sourced or a partnership.

These were mapped to corporate risks and for each area, the inherent risk and strength of control environment (based on first, second, third lines of assurance in place) was assessed to calculate an overall 'assurance requirement' rating. This identified 49 auditable units with a high assurance requirement rating (i.e. over 20).

Internal Audit has reviewed the Assurance Map and used this to inform which areas should be prioritised as part of a revised 2016/17 Internal Audit Plan. Medium and low risk areas have also been considered and included in the audit plan where there is a specific appetite to audit these activities, for example, internal audits of schools and key financial controls. These exercise has meant:

- 29 audits   have been removed from the plan, as independent assurance can be taken from elsewhere or the risks have been assessed as lower that when the original plan was prepared;
- 10 audits have been merged, as the risks being covered are the same; and
- 5 audits has been added to the plan, as there were gaps in assurance resources.

Our revised Internal Audit Plan has been brought to the November 2017 Audit Committee for consideration, please refer to the proposed 2015/16 internal audit plan which contains the outputs of this work.

The Assurance Map is a live document and will be updated and refined on an ongoing basis to ensure key risks continue to be assured across the Council. It also highlights current and future risks; we are using the outputs from this exercise to support upcoming planning conversations for the 2017/18 Internal Audit Plan.

Summary of findings (2 of 3)

Areas with highest assurance requirement rating

Any auditable unit with a score of 20 or higher is classified as having a high assurance requirement rating. The highest assurance requirement rating which can be awarded is 25. 13 of 49 auditable units with high assurance requirement ratings were scored as 25. These activities and how they were incorporated into our 2016/17 Internal Audit Plan are summarised below:

Sub group	Auditable Unit	Included in Plan?	Notes
Adults	Care Homes	▶ - yes	A dedicated review of **Care Homes** has been included.
Housing and Regeneration	Temporary Accommodation	▶ – yes	A dedicated review of **Temporary Accommodation** has been included.
Housing and Regeneration	Health and Safety	▶ – yes	A dedicated review of **Housing Stock – Fire Safety** has been included.
HR and Payroll	Eligibility to Work	▶ – yes	A dedicated review of **Eligibility to Work** has been included.
Support Functions and Democracy	IT	▶ - yes	Our **IT Risk Diagnostic** gives a holistic view of IT across the Council.
Support Functions and Democracy	Health and Safety	▶ – yes	A dedicated review of **Fire Safety, Asbestos and Legionella** has been included.
Support Functions and Democracy	Transformation	▶ – yes	We have incorporated dedicated reviews of transformation programmes. This year we have included **Town Hall Redevelopment.**
Support Functions and Democracy	Contract Management	▶ - yes	A dedicated review of **Contract Management** has been included.
IT	IT Strategy	▶ – yes	A dedicated review of **ICT Transition Arrangements** has been included.
IT	IT Performance	▶ – yes	A dedicated **IT Risk Diagnostic** has been included which incorporates this area.
Culture and Environment	Community Safety	▶ - No	Our Assurance Mapping methodology requires us to flag areas which have not been subject to an Internal Audit in the last 3 years as higher risk for consideration. However, none of these areas are flagged as key risks on the Council's risk register, are not identified as key risks across the sector and were not flagged to us by Management. Therefore we have not included these in our 2016/17 Internal Audit Plan. We will consider these areas again as part of our 2017/18 Internal Audit planning discussions.
Support Functions and Democracy	Complaints	▶ - No	
Support Functions and Democracy	Freedom of Information	▶ - No	

Summary of findings (3 of 3)

Risk areas for further consideration

Appendix A contains a summary of the Council's corporate risks at the time of performing the Assurance Map. In the chart below, we have compared these to some of the key risks affecting the local government sector as a whole, to identify areas the Council may wish to consider further. Corporate risk register references have been denoted in i*talics.*

Digital transformation	**Failure to use data effectively**	**Austerity** *(CRC0044)*	**Adult social care** *(CAA0090)*	**Homelessness** *(SRR0075)*	**Making shared services work** *(EC0049/CAA0093)*
Brexit	**Contract management** *(EC0049/CAA0093)*	**Cyber** *(CRB/ID0016)*	**Governance** *(All)*	**Revenue maximisation** *(CRC0044)*	**Managing structural change**

Key

Red – Not captured

Amber – Partially captured

Green - captured

Conclusions

On the whole the Council's Corporate Risk Register largely captures key sector risks, our suggestions for further considerations are below.

Risks not captured on the Corporate Risk Register (Red)

*   **Brexit** - this is an emerging risk and the Council may benefit from considering the potential impact on the Council and how any adverse impact will be managed.
*   **Digital transformation/ ineffective use of data** – digital and data is changing the way people communicate. Therefore demand is shifting towards digitally enabled service access. The Council should capture how it works with customers and uses data by designing, building and deploying new digital technologies and how insight can be created, for example, reviewing commissioning strategies, demand management (reducing demand and complexity in supply chain and reduce internal costs through the use of new technologies).

Risks partially captured on the Corporate Risk Register (Amber)

*   **Making shared services work –** the risk register considers the impact of inadequate procurement and contract management but could be expanded to reference other shared services and partnerships.
*   **Revenue maximisation –** the impact of austerity is considered but risks surrounding maximising income are not explicitly referenced.
*   **Homelessness –** the risk posed by Welfare Reform is captured and considered the impact on temporary accommodation.
*   **Managing structural change** – structural change may be an impact of these risks transpiring. The risk register could be expanded to include the mitigations and controls in place to manage this risk.

Appendices

Appendix A: Corporate Risk Register extract

- **CAA0093   Failure by third party to deliver value for money goods & services**
  Key supplier failure puts delivery of social care by councils contracted providers at risk

- **CAC0057   School Places**
  Failure to meet statutory obligations under Education Act 1996 S14 (1) to secure sufficient Primary and Secondary School Places in the Borough

- **ECCP0003   Business continuity**
  Ineffective business continuity arrangements resulting in an inability to provide critical council services in the event of a disruption

- **DMIA0001   Data security**
  Inappropriate access, corruption or loss of data Failure to comply with the statutory requirements of DPA (1998) leading to complaints, enforcement notices, prosecution and adverse publicity.

- **SRR0075   Service delivery**
  Implementation of the Welfare Reform Act (WRA) 2012 results in a negative impact on Council services, finances and reputation. In particular it has led, and could lead to: Increased temporary accommodation costs due to the combined effect of an increase in homelessness and the reduction in available benefits and other sources of support funding; and could lead to an increase in Council tenant rent arrears and less ability to recover Housing Benefit that was overpaid due to error or claimant fraud as a result of the implementation of Universal Credit

- **CAA0090   Inadequate Budget Provision in Adult Social Care**
  Unavoidable rise in demand for Adult Social Care resulting in a shortfall in the budget coupled with Council's 25% saving over 2015-18

- **CAA0092   Safeguarding Adults**
  Risk of Serious harm or abuse to Vulnerable Adults resulting in death or serious injury to an adult whilst in the care of Ealing Council.

- **CAC0055   Safeguarding Children**
  Failure in Children's Safeguarding and Support Services resulting in death, serious injury or abuse to a child supported by or in the care of Ealing Council.

- **CRB/ID0022   Failure in procurement process   tendering, contracting, ordering etc.**
  The complete, or part, failure of the ICT provision as a result of delays in agreeing the post Serco contract transition.

- **SRR0076   Failure to protect communities**
  Vulnerable persons within the Borough become radicalised and are attracted to recognised terrorist organisations and/or the Borough is affected by terrorist activities

- **SE0001   Equality Act 2010**
  Failure to comply with the Equality Act 2010 resulting in challenge to service changes and potential fines/ penalties.

- **CRB/ID0016   Ineffective ICT**
  The council suffers thousands of cyber attacks per year and a compromised ICT system could result in the council's ability not to function and possible loss of data.

- **EC0049   Failure by third party to deliver value for money goods & services**
  Environmental Service Contract (ESC) poor performance results in a negative impact on Council finances and reputation.

- **HS0012   Legislative and/or regulatory breaches**
  Failure to manage Ealing owned and Ealing staff/service occupied property compliance could lead to unsafe premises for staff, residents, service users and visitors and result in enforcement action against the Council.

- **CRC0044   Budget**
  Budget proposals fail to deliver the required savings resulting from ongoing reductions in Government funding, impacting on the ability to meet increasing service demands.

- **CRC0068   Losses through fraud**
  Significant financial loss due to major fraud

Appendix B: Approach

Our Assurance Mapping exercise followed the following key stages:

Stage	Scope of work	Outputs
Establish the assurance universe and perform initial risk assessment	We created a template assurance universe for the Council. This involved obtaining organisation charts, corporate plans, service budgets and risk registers. They determined the inherent risk (i.e. uncontrolled risk) of all auditable units using an agreed methodology and benchmarking across similar clients in the sector.	A tailored assurance universe for the Council setting out all auditable units and key risks, providing the starting point to identifying areas of focus.
Control Environment Assessment	We performed an initial control environment assessment for each area of the assurance universe and provided an assessment of residual risk for all areas. This included assessing the adequacy of primary and secondary lines of defence and perform an initial outline of current assurance sources.	An updated, tailored assurance universe for the Council, incorporating client feedback.
Confirmation with Service Areas	We confirmed risk and assurance assumptions with service areas and Internal Audit by attending meetings with senior stakeholders to confirm sources of assurance, changes in control environment that may impact on the risk assessments and the auditable units identified.	A tailored assurance map detailing auditable units, inherent and residual risk, sources of assurance and identification of any current assurance gaps or duplication.
Final assurance map and identification of areas of audit focus	We collated the tailored service assurance maps into an overall assurance map and summarised heat map showing gaps or duplication across the Council.	A tailored assurance map prioritising assurance resource.

Appendix C: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or

- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.