

PROPOSALS FOR ASSURANCE MAPPING EXERCISE

1. EXECUTIVE SUMMARY

This report outlines the process that Grant Thornton and the internal audit team will adopt to map the Council's key risks, and the source and level of assurance that the Council receives on those risks.

Assurance mapping involves mapping coverage against key risks.

This report outlines a 'three lines of defence model' being:

- Front line /business operations
- Oversight of management activity
- Independent assurance providers

Internal Audit propose to conduct an assurance mapping exercise, initially covering the Council's key strategic risks to provide an overview for the Audit Committee and Performance Review and Scrutiny Committee of sources of assurance, and where there may be gaps in assurance.

A report will be submitted in September with the results of this exercise, highlighting any gaps, allowing the Audit Committee to feed into preparations for the draft 2015-16 internal audit plan, due in December 2014 .

2. INTRODUCTION

2.1 This report outlines the proposals for an assurance mapping exercise utilising a "Three lines of defence model". Examples of the nature of assurance for each line of defence is highlighted.

3. RECOMMENDATIONS

3.1 The Audit Committee note the proposed scope of the exercise, and consider whether proposals will meet the needs of the Committee.

4. ASSURANCE MAPPING

- 4.1 An assurance mapping exercise involves mapping assurance coverage against the key risks in the organisation. The aim is to give senior management and elected/committee members comfort that there is a comprehensive risk and assurance framework with no duplicated effort or potential gaps.
- 4.2 There are many sources of assurance across the Council that can be used to provide evidence for the annual assessment of the effectiveness of the management of risk and internal control, reported within the Annual Governance and Internal Control Statement. Understanding the sources of assurance and their scope means that that Audit Committee and internal audit can focus most effectively on the areas of higher risk.
- 4.3 An assurance framework is based on a 'three lines of defence' model, as outline in Table 1 below. All three lines have a specific role to play in the internal control environment.

Table 1 Three Lines of Defence Model

	Source	Nature of assurance
1 st line	"Front line"/business operations	<p>Examples include performance data, risk registers, and other management information.</p> <p>It provides assurance that performance is monitored, risks identified and addressed and objectives are being achieved. This type of assurance can lack independence and objectivity, but its value is that it comes from those who know the business, culture and day-to-day challenges.</p>
2 nd line	Oversight of management activity	<p>This is separate from day to day delivery, but is not independent of the Council's management arrangements.</p> <p>Typically Heads of Service and Directors will set boundaries by drafting and implementing policies and procedures, and provide oversight over business processes and risks. Oversight can include reviews of practice against policies, or self-evaluation of performance, including PSIF assessments.</p> <p>These roles, and management assurances, therefore provide assurance oversight for the</p>

		<p>Council and audit committee members.</p> <p>The nature of this assurance is management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It is considered more objective than first line assurance.</p>
3 rd line	Independent assurance providers	<p>This relates to independent and more objective assurance, including internal audit, work specifically designed to provide the Audit Committee with an independent and objective opinion on the framework of governance, risk management and control. Other sources of external assurance include external audit, Education Scotland and the Care Inspectorate.</p> <p>It is important that internal audit, external audit and other scrutiny bodies work effectively together to the maximum benefit of the Council.</p> <p>This assurance draws on the first and second lines of defence, but provides an independent view for the Audit Committee. It is, however, important, that in each case, the Committee understands the scope and limits of the assurance provided by each assurance provider.</p>

4.4 The Audit Commission's Taking it on Trust report highlighted that effective assurance requires a number of elements to be present together:

- the right governance framework and risk culture and a clear understanding of strategic objectives and risks
- good internal controls
- evidence that internal controls are operating effectively; and
- good data quality.

4.5 We therefore propose to conduct an assurance mapping exercise, initially covering the Council's key strategic risks to provide an overview for the Audit Committee and Performance Review and Scrutiny Committee of sources of assurance, and where there may be gaps in assurance. This will allow the Committees to consider key areas where assurance is required to be targeted by internal audit.

We will also use this exercise to consider the evidence that exists about the effectiveness of internal controls, and the data quality of performance

measures and other management information used by the Council's senior management.

- 4.6 Much of the information about the risks, who the primary owners are, risk ratings and identified controls/mitigating actions has already been captured within risk registers and elsewhere. Our review will highlight and categorise each source of assurance using the 'three lines of defence' model, to evaluate and assess the assurance need. Our report in September will identify the gaps, and allow the Audit Committee to feed into preparations for the draft 2015-16 internal audit plan, due in December 2014.

5. CONCLUSION

Discussions at the Audit Committee Development Day highlighted a need to understand the sources of assurance over key risks in a systematic way. We propose to use assurance mapping to provide the Audit Committee with an overview of the types of assurance in place. We will also use the exercise to highlight reporting lines, to highlight any gaps or overlaps in accountability arrangements between the Audit Committee and the Performance Review and Scrutiny Committee.

6. IMPLICATIONS

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| 6.1 | Policy: | Action plan sets out a number of areas of improvement in how Internal Audit operate. |
| 6.2 | Financial: | None |
| 6.3 | Legal: | Not a legal requirement but sets out actions to improve compliance with professional standards. |
| 6.4 | HR: | Requirement for staff training |
| 6.5 | Equalities: | None |
| 6.6 | Risk: | Will improve risk focus on Internal Audit. |
| 6.7 | Customer Service: | Sets out improvements that should lead to better customer service for internal customers. |

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