

DEVELOPMENT OF ASSURANCE MAPPING EXERCISE

1. SUMMARY

This report describes the process that Grant Thornton and the internal audit team have adopted to map the Council's key risks, and the source and level of assurance that the Council receives on those risks, and a worked example of the approach.

This approach will be used to support the Council's developing risk appetite framework. This report therefore seeks approval for the structure adopted and any comments to improve the usefulness of the approach.

2. RECOMMENDATIONS

2.1 The Audit Committee review the structure of the assurance mapping exercise, and consider whether the approach meets the needs of the Council and Committee.

3. ASSURANCE MAPPING

3.1 There are many sources of assurance across the Council that can be used to provide evidence on the effectiveness of the management of risk and internal control. Our aim is to understand the sources of assurance and their scope so that the Audit Committee and internal audit can focus most effectively on the areas of higher risk. The assurance framework is based on a "three lines of defence" model, as outline in Appendix 1

3.2 The draft assurance framework is attached as Appendix 2 to this report. We will use this approach to conclude on the strength of arrangements across each of the three lines of defence to make recommendations for:

- additional assurance process improvements
- areas for internal audit coverage in the 2015-16 programme of work
- reducing any areas of duplication or 'over' assurance, to ensure that resources are focused on key priorities.

3.3 Our assessment will consider the evidence that exists about the effectiveness of internal controls, testing of the data quality of performance measures and other management information used by the Council's senior management.

- 3.4 We will also review and document which risk each element of the internal control environment contributes assurance to, differentiating between those committees or groups that receive reports for noting, but who would query anything that seemed inconsistent – minimum assurance – and those committees/groups who actively review and challenge the information and reports they are given – maximum assurance. This will provide the Audit Committee with an overview of the sources of assurance, and any areas of duplication.

4. CONCLUSION

We have developed our approach to assurance mapping, to provide the Audit Committee with an overview of the types of assurance in place. At this stage, we would welcome a discussion about whether the approach meets the needs of the Committee, or whether additional information or assessments would be useful.

5. IMPLICATIONS

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| 5.1 | Policy: | Action plan sets out a number of areas of improvement in how Internal Audit operate. |
| 5.2 | Financial: | None |
| 5.3 | Legal: | Not a legal requirement but sets out actions to improve compliance with professional standards. |
| 5.4 | HR: | Requirement for staff training |
| 5.5 | Equalities: | None |
| 5.6 | Risk: | Will improve risk focus on Internal Audit. |
| 5.7 | Customer Service: | Sets out improvements that should lead to better customer service for internal customers. |

For further information please contact Internal Audit on (01546 604759)

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APPENDIX 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. It provides assurance that performance is monitored, risks identified and addressed and objectives are being achieved.</p> <p>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. 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 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>