



Risk Assessment and Audit Strategy in Public Entities

Track A

ECIIA Conference 2009



RISK ASSESSMENT AND AUDIT STRATEGIES IN PUBLIC ENTITIES

29 OCTOBER 2009

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National Offender Management Service

- Created in April 2008
- Brings together Prisons and Probation
- Line Manages Prison Service
- Manages performance of Probation Service:
 - 36 Probation Boards
 - 6 Probation Trusts
 - All to be Trusts by 2010





Facts and Figures

- Prison Service – 47,500 staff
- Probation Service – 21,000 staff
- National Offender Management Service (HQ)
– 3,000
- 80,000 + offenders in custody
- 200,000 Offenders in the community at any one time
- Budget - £4 billion +





Agency Board Structure

- Director General, as Agency Accounting Officer and Accountable Officer for Probation, has primary accountability
- Supported by NOMS Agency Board
- Weekly meetings of Executive – may be simply an update on operational issues or may take policy papers
- Monthly meetings of NOMS Agency Board – sets strategic direction and oversees major changes in the Service
- Since 2002 have met on at least a quarterly basis to discuss risk.

Director General advised by Audit Committee – Independent Chair and independent members.





Risk management

Led by the Board

Quarterly risk reviews by Board (including Non-Exec Directors) – although more frequent if necessary;

- Feeds into the Ministry of Justice risk register;
- Review of key risks in their entirety at least every year;
- In practice at least six monthly over the past couple of years.

Risk register and review process replicated at every level in the organisation





Audit and Corporate Assurance

Four elements in the group:

- Internal Audit:
 - Risk based audits of corporate systems;
 - Provide internal audit service to 42 probation areas and trusts
- Standards Audit:
 - Audits of compliance with key prison service performance standards – mainly security and self audit
 - Thematic reviews of compliance with key standards
- Measuring the Quality of Prison Life Surveys:
 - Focus groups with prisoners using questionnaire developed by Cambridge University to study prisoners perceptions of life in prison
- Fraud Investigation Team.





Developing Audit Strategy

- Essential to understand the organisation – culture, people
- Essential to be part of the discussion on risks – at Board level and at major Programme level
- Essential to understand risks at every level in the organisation
- Essential to focus audit activity on those key risks





What does the Strategy need to focus on?

- Coverage based on what DG needs to give an assurance;
- Takes account of the assurance framework;
- Takes account of the range of audit activity currently being done;
- Closely aligned to key risks to the National Offender Management Service;
- Element related to IT systems;
- Matches resource to need;
- Provides for co-ordinating with strategic partners;
- Provides for continuous improvement





What does the Strategy need to focus on?

- **Coverage based on what DG needs to give an assurance;**
- **Takes account of the assurance framework;**





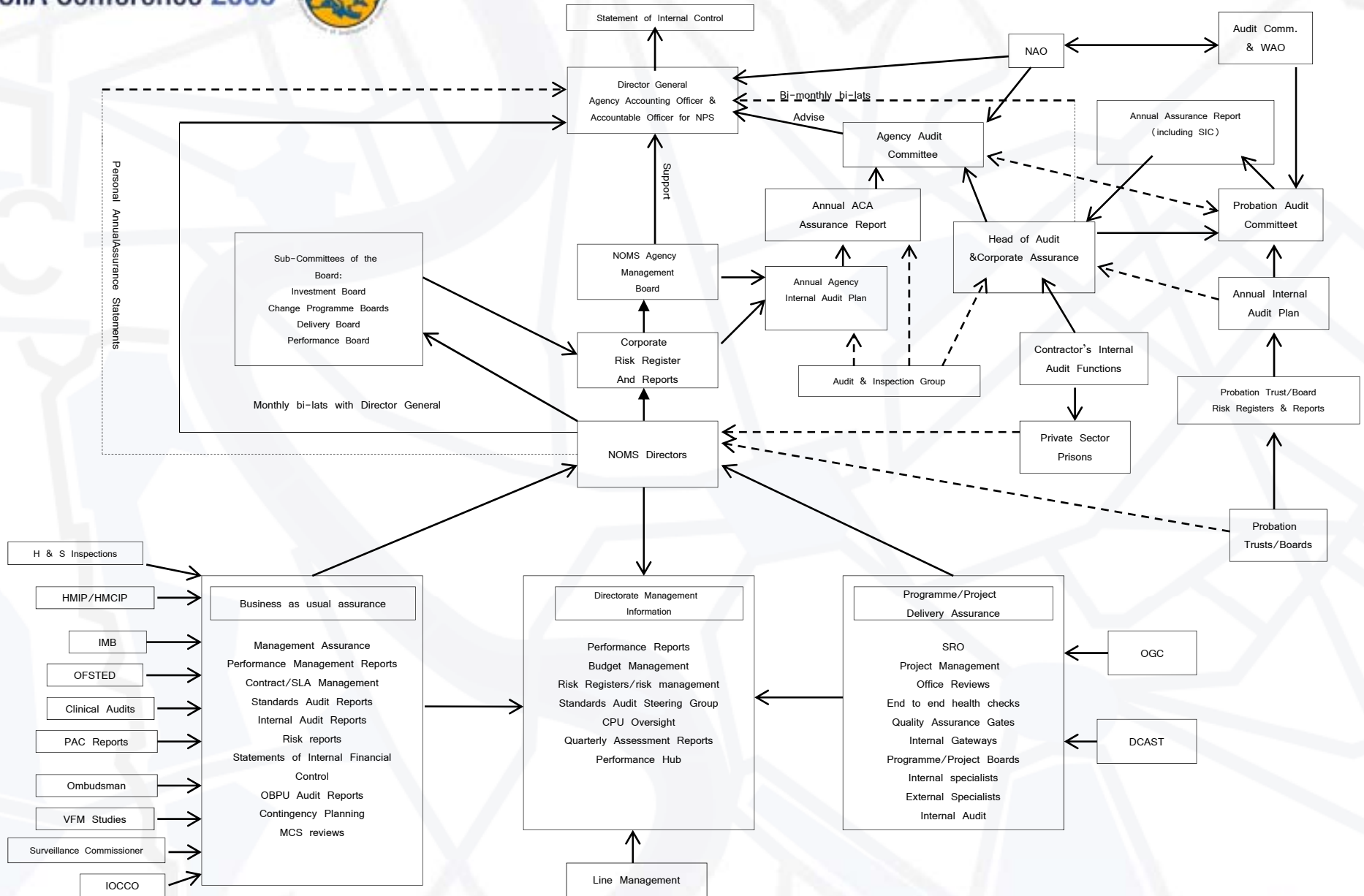
Assurance Framework

- Understand the assurance framework
 - Map it out
 - Check it out with Board members and other key managers
 - Review it from time to time
 - Understand the flows of assurance
 - Audit the key flows of assurance
 - BUT Audit is only one of the sources





NOMS AGENCY - ASSURANCE MAP





What does the Strategy need to focus on?

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- Takes account of the assurance framework;
- **Closely aligned to key risks to the National Offender Management Service;**
- **Takes account of the range of audit activity currently being done;**





Assessment of Audit Need

- Starts with assumption that high risk areas need annual audit attention
- Frequency reduced by taking into account work of others:
 - Standards audit
 - Risk reports by management
 - Inspectorates
 - OGC
 - NAO
- And by the outcome of previous audits (bearing in mind any organisational change which might make this invalid)





Audit Needs Assessment										
Systems linked to corporate risk register Those in blue added by Head of Internal Audit/retained from previous versions of register										
Those in green added in-year as a result of audit activity/management request; those in purple added at the request of NOMS audit committee										
Corporate Risk	System for Dealing with Risk	Directorate	Board's last Rating	Last Internal Audit Rating	Last audit reported	SAU % compliance (from last Annual Report)	SAU audit frequency	Other assurance activity		
Prison Riots (Satisfactory). Risk No. 5 - January 2009	Security Intelligence System	DHSP	S	n/a	n/a		Annual security audit - High security prisons; bi-annual for all others	Risk owner's report	Yes - frequency determined by establishment risk assessment	Professional Standards Unit
	<i>The system for collecting, collating, interpreting and reporting intelligence information to the appropriate people - including liaison with Police and the Prisoner Informant System</i>									
	Prisoner Informant System		S				Annual security audit - High security prisons; bi-annual for all others	Risk owner's report	Yes - frequency determined by establishment risk assessment	
	Police Liaison		S							
	Incident Reporting System	DHSP		Deficient	May-07					
	Categorisation/Allocation	DHSP	Satisfactory	Satisfactory	May-05		Annual security audit - High security prisons; bi-annual for all others	Risk owner's report		
	<i>The system for categorising and allocating Score 3 - Cat C prisoners</i>									
	Population Management/Stability audits MAINTAINING ORDER	DDG	Satisfactory	Marginal	Apr-07			Risk owner's report		
	<i>The system for identifying the need to move individual/groups of prisoners - at HQ or local level</i>									
	Adjudication System	Operations	Satisfactory	Satisfactory	Apr-07		Yes - on 2007/08 inclusion list	Risk owner's report	Yes - frequency determined by establishment risk assessment	
	<i>The system for investigating and dealing with breaches in rules in the prison</i>									





Strategic approach

- Security audits – probably every year;
- Audits of self audit in establishments;
- Risk based – as now, linked to NOMS risk register – includes Prison and Probation systems;
- Thematic reviews – pulling together results across all standards;
- Systems development work;





Strategic Approach (cont.)

- Advisory services – by both units;
- Follow up reviews;
- Risk workshops;
- Provision of Audit Service to 42 Probation Areas/Trusts
 - Includes individual Trust/Area audit programmes – linked to local risk registers
 - And thematic approach to key areas for the Agency – linked to Agency risk registers .





Frequency – NOMS Audit

- Risk based reviews according to agreed criteria;
- Followed by compliance reviews (Prisons);
- Should mean that there is not a compliance review in the same year as a risk based review





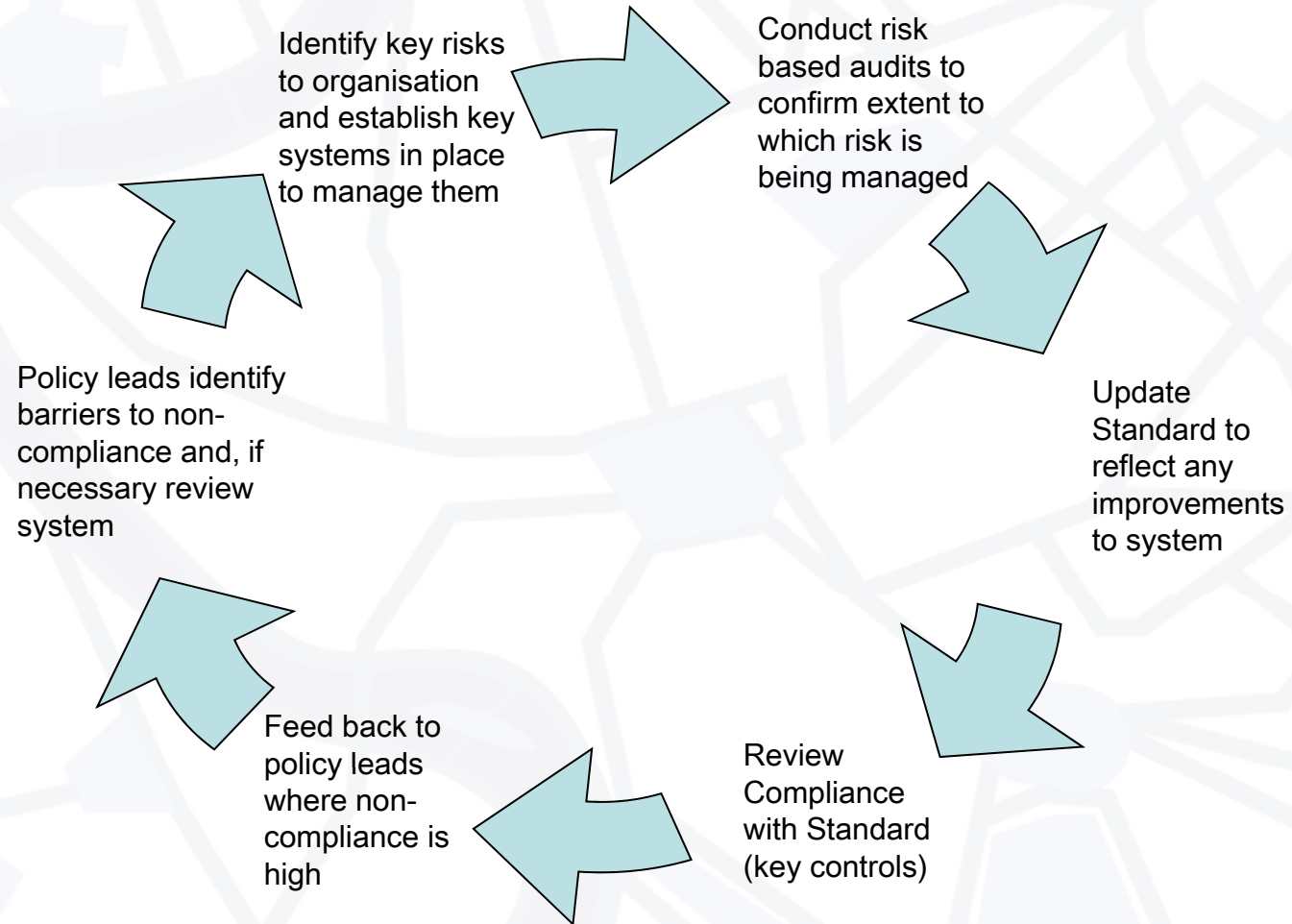
Frequency – Probation Audit

- Core systems determined by centre
- Thematic reviews determined by centre – may mean that there is a risk based audit followed up by a series of local audits to test compliance
- Local systems determined by Audit Committees – in consultation with auditors





Audit Cycle





Developing the Periodic Audit Programme

- Starts with Corporate Risk Register
- Includes topics which warrant annual assurance but which might not feature, for example:
 - Risk management;
 - Self audit;
 - Governance
- Includes items considered by HIA to be risky, based on experience;
- Includes additional items requested by Board/Audit Committee members





Potential plan for 2009/10

Origin	ANNUAL AUDITS	Standard	Risk based		Compliance - days			Systems Dev.		Last systems audit	Comments
			IA	SA	IA	SA	Specialists	IA	SA		
	Security	YES - NSF				2035					Annual audit in HS Estate: every 2 years in rest
	Risk Management Framework		40		72						Annual audit plus audited as part of establishment audit programme
	Corporate Governance		40								
	Assurance Framework		40								
	Standards Audit (Self audit)	YES		630							Annual audit of every establishment
	Review of TNCs		40								
	Review of Common non-compliances		40								
	Race Equality (Prisoners)	YES			130	394					All prisons in 1st year of new approach
	Safer Custody	YES									25% of prisons in 1st year
	Recruitment - central and local	YES	40							Marginal - November 2008	
	SYSTEMS CONTRIBUTING TO THE MANAGEMENT OF KEY RISKS										
Risk rept 4	Child protection systems for Schedule 1 offenders.										Never
Risk rept 4	ROTL system.										Satisfactory - November 2008
Risk rept 4	HDC system.										Satisfactory - November 2008
Risk rept 4	Parole system.										
Risk rept 4	OASys										Marginal - January 2008
Risk rept 4	MAPPA system. (Public protection)	YES				90					Satisfactory - October 2007
Risk rept 4	Offender management		35								Never
Risk rept 4	Mental health provision and links to external mental health										Never
Risk rept 4	Deportation of foreign national prisoners.										
Risk rept 2	Resource requirements system										2006/07 - not rated
Risk rept 2	System for maximising alternative sources of income										Never
Risk rept 2	Business Strategy										
Risk rept 2	Investment Appraisal		25								Not rated - 2005
Risk rept 2	Estate Investment/Development										New system
Risk rept 2	Activity Based Costing		30								Marginal - March 2008 (FU)
Risk rept 2	Project/Programme Management										Marginal - March 2008 (FU)
Risk rept 2	High level Budget Allocation System										Well controlled - December 2005
Risk rept 2	Budgetary control system				72						Satisfactory - March 2007
Audit	BACS Payments Processing										Well controlled - December 2007
Risk rept 2	In year re-allocation system										Well controlled - May 2004
Management	Accounts Payable		40								Deficient - June 2007
Audit	Bank reconciliations		25								2003/04
Risk rept 2	Procurement through PSUs		30								Deficient - June 2007
Audit	Supplier Maintenance (non-staff)										Satisfactory - July 2007
Audit	Supplier Maintenance (staff)										Satisfactory - November 2007
Risk rept 2	Central Procurement of supplies and services										one contract selected each year
Management	Central Procurement of Food		15								Audit in progress. Started in 2007-08 - balance carried over. HR - repeat in 2009
Management	ProAct										Marginal - December 2007
Risk rept 2	Efficiency Savings Programme										Never
NOMS	Headcount Reduction Management		20								Satisfactory (Phase 1) Dec 2006
Audit	Shared Service Centre - SLA monitoring		30								Phase 2 in progress
Risk rept 2	Control framework				90						Audited as part of establishment audit
Risk rept 2	Corporate Planning system		30								Deficient - 2006
Risk rept 2	PSIMOn		30								Satisfactory - July 2004.
Risk rept 2	KPI & KPT Data Quality										Satisfactory - November 2003





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IT element

- Additional risk assessment of risks in key IT systems
- May not feature in corporate risk register overtly but added in to assessment of audit need
- Even more crucial with pressure to cover Information Assurance in the SIC





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Matching Resource to Need

- Estimate of days needed to deliver strategy broken down to:
 - Assurance work
 - Compliance work
 - Shows financial systems work separately
- Calculation of number of full time equivalents needed to deliver strategy
- Highlights skills and experience mix needed
- Clarity on what minimum level of audit is to be able to provide reasonable assurance





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Working with Strategic Partners

- Working with Home Office and (soon) Ministry of Justice to provide assurance over systems operated in Shared Service Centre
- Working with Learning Skills Council to test on their behalf in Prisons
- Co-ordinating audit and inspection effort with Inspectorates, National Audit Office
- Working with UKBA to develop Security Audits for Immigration Removal Centres
- Providing Security Audit Services to the Department of Health, Secure Hospitals





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Continuous Improvement

- Provides for Internal Peer Reviews and External Quality Assurance Reviews
- Provides for training – CPD and work related
- Allows time for project work to develop the Group – Audit Manual Updates, implementation of Team Mate, Document management processes, etc.





None-core audit activity

- Fraud investigations and MQPL:
 - Strategy for each;
 - Work plan for each;
 - Funds allocated and monitored separately
- Head of Audit and Corporate Assurance reports to Director of Finance on activities and to the Audit Committee for information;
- Review of location of non-core activities periodically.





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