

25 July 2018**Agenda Item: 9****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT AND SECTION 151 OFFICER****ASSURANCE MAPPING UPDATE****Purpose of the Report**

1. To update Members on the progress being made with the pilot approach to assurance mapping in 2018/19, and to invite feedback to influence its implementation over the rest of the year.

Information

2. Members will recall approving a pilot approach to assurance mapping at the meeting on 1 February 2018. As a reminder, the approach is set out in Appendix 1, and both Corporate Leadership Team (CLT) and the Governance & Ethics Committee agreed that the pilot should be trialled with three aspects of governance: financial management; performance management; and risk management. The pilot process has been designed following research and consultations with other authorities and internal audit service providers, notably Assurance Lincolnshire and the South West Audit Partnership.
3. As indicated in Appendix 1, the pilot is being delivered in four phases. The first phase, and the primary subject of this update, is to identify the Key Lines of Enquiry (KLOEs) for each of the three aspects of governance. The KLOEs should represent what assurances Members and senior officers wish to receive annually about finance, performance and risk management. It is an important stage in the procedure, therefore, as it will shape the direction of the following stages.
4. Set out below is a proposed set of KLOEs to be used in the pilot; these were discussed and agreed with CLT in May 2018. It is suggested that Members and senior officers may wish to receive assurances in respect of the following two dimensions:
 - Assurance that key elements of control are being applied consistently across the organisation, i.e. there are good governance procedures in place
 - Assurance that the desired outcomes in these areas of governance are being achieved, i.e. the application of the controls is delivering the expected results.

Aspect of Governance	KLOEs to deliver assurance about controls	KLOEs to deliver assurance about outcomes
Financial Management	Budgetary control <ul style="list-style-type: none"> ➤ Corporate, departmental and service plans are congruent, achievable and will deliver the Council's strategic plan ➤ Effective monitoring and reporting is in place ➤ Strong arrangements for determining and implementing corrective actions 	Budgetary control <ul style="list-style-type: none"> ➤ Budget pressures are captured, assessed and prioritised ➤ In-year forecasts are reliable ➤ Income streams are maximised ➤ Overspending is minimised ➤ Underspends are re-directed to areas of budget pressure
	Financial compliance <ul style="list-style-type: none"> ➤ Accountability framework – compliance with budget holder duties 	Financial compliance <ul style="list-style-type: none"> ➤ Financial regulations are complied with
	Financial prudence <ul style="list-style-type: none"> ➤ Treasury management framework is complied with ➤ Investment strategy is complied with 	Financial prudence <ul style="list-style-type: none"> ➤ Finance charges are avoided or minimised ➤ Returns on investments perform well in comparison with relevant benchmarks
	Value for Money <ul style="list-style-type: none"> ➤ Ongoing review of service provision in priority areas of service ➤ Use of benchmarking and other relevant comparisons to inform priority review areas ➤ Well researched options for change are routinely proposed 	Value for Money <ul style="list-style-type: none"> ➤ Value for Money is achieved ➤ The transformation programme is delivering change in priority areas of service
Performance Management	<ul style="list-style-type: none"> ➤ Compliance with the key elements of the performance management framework ➤ Target performance levels are congruent, achievable and will deliver the Council's strategic plan 	<ul style="list-style-type: none"> ➤ Performance targets are achieved ➤ The transformation programme is delivering change in priority areas of service

Aspect of Governance	KLOEs to deliver assurance about controls	KLOEs to deliver assurance about outcomes
	<ul style="list-style-type: none"> ➤ Effective monitoring and reporting is in place ➤ Senior managers are held accountable for the levels of service they achieve ➤ Use of benchmarking and other relevant comparisons to inform priority review areas 	
Risk Management	<ul style="list-style-type: none"> ➤ An effective risk management strategy and framework are in place ➤ National, regional and local horizon scanning informs risk assessments ➤ The Council's risk appetite is established and applied consistently ➤ Risk registers are maintained and updated appropriately ➤ Effective monitoring and reporting is in place – mitigating actions are complied with and insurance provisions are in place 	<ul style="list-style-type: none"> ➤ Risk management informs key decision-making in the Council ➤ Exposure to significant risks is minimised ➤ There is a clear focus on high priority risks ➤ Prompt actions are taken where risks materialise

- Members' views and feedback on the suitability of the above KLOEs for use in the remainder of the pilot exercise are invited.
- In order to illustrate the benefits that assurance mapping should bring to the Council, Appendix 2 sets out a worked example. This relates to the area of financial management and, in particular, budgetary control. The example works through the 'three lines of defence' control framework to show how assurance may be picked up and reported in a co-ordinated manner. The example is theoretical at this stage, pending confirmation as part of the next phase of the pilot, but it is considered to be a likely aspect of the Council's control framework in which it will prove possible to deliver co-ordinated assurance.
- The benefit from this worked example should be that:
 - The outcomes from routine checks carried out at the 2nd line of defence will be summarised for inclusion in the year-end assurance report. This will contribute towards the comprehensive assessment of how well governance processes are operating in this core area of activity.
 - The outcomes from the routine checks will be used to inform the checks carried out at the 3rd line of defence, by the internal audit service, as follows:

- Should the 2nd line outcomes show a high level of assurance that budgetary controls are being applied consistently, Internal Audit should be able to rely on this assurance and direct its resources to focus on risk priorities in other areas of the Council's activities;
- Should the 2nd line outcomes identify significant concerns, the input of Internal Audit may be beneficial in targeted areas as part of the next termly Audit Plan.

8. It is anticipated that similarly co-ordinated sources of assurance will be gathered by the assurance mapping process across all of the KLOEs, thereby building a comprehensive picture of how well the Council's governance arrangements are operating, along with an informed view of where greater assurance is required in the coming year.

Other Options Considered

9. The pilot approach to assurance mapping was agreed by the Governance & Ethics Committee in February 2018. Regular updates on progress with the pilot are providing the opportunity to consider whether amendments to the approach are needed.

Reason/s for Recommendation/s

10. To provide timely feedback on whether the pilot approach is likely to deliver the assurances that Members wish to receive as part of the annual report.

Statutory and Policy Implications

11. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

The assurance map aims to deliver a comprehensive assessment of the effectiveness of the Council's governance, risk and control framework. This will provide assurance relating to many of the considerations listed above.

RECOMMENDATION/S

- 1) Members approve the Key Lines of Enquiry for each of the pilot areas in the assurance mapping process.
- 2) Members agree that the Committee receives a further update following completion of the second phase of the review.

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For any enquiries about this report please contact:

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Constitutional Comments (SLB 12/7/18)

12. Governance and Ethics Committee is the appropriate body to consider the content of this report.

Financial Comments (SES 13/07/18)

13. There are no specific financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All