

30 January 2019**Agenda Item: 5****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT****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 the final stage of its implementation in the remainder of the year.

Information

2. Members approved a pilot approach to assurance mapping at the meeting on 1 February 2018, to be conducted in a four-stage process as depicted in **Appendix 1**. A first update on progress in July 2018 determined the Key Lines of Enquiry (KLOEs) for each of the three aspects of governance covered by the pilot: financial management; performance management; and risk management.
3. The pilot has now progressed to the second stage of the process, to identify the key sources of assurance available to the Council for each of the KLOEs across each of the three lines of defence:
 - 1st Line routine and day-to-day management controls
 - 2nd Line internal checks and reporting by corporate functions
 - 3rd Line reviews by independent and external assessors.
4. The mapping exercise was conducted through consultation with the Extended Corporate Leadership Team (ECLT), which comprises the Corporate Directors and Service Directors. Draft assurance maps for each of the governance areas were shared with ECLT members and feedback from their wider management teams was incorporated into refined versions. The draft maps were also shared with selected other officers who were able to provide targeted feedback in some of the more specialist areas covered by the KLOEs.
5. The latest versions of the assurance maps are presented in **Appendix 2**. These set out the range of assurance sources identified for each of the KLOEs across the three lines of defence. At this stage in the process, the maps provide the opportunity to assess how

effectively and efficiently assurance is provided in the Council. In particular, they present the opportunity to identify one or other of the following possibilities:

- Gaps in assurance, for which consideration might be given to establishing additional controls
- Duplications, which might prompt a redirection or reduction in the extent of assurance effort.

6. The following sets out a summary of the maps presented in Appendix 2, focussing on the strengths and weaknesses of the assurance sources available for each of the areas covered by the pilot.

Aspect of Governance	Summary of assurance available
Financial Management - Budgetary control	A well established budgetary control process is in place and applied to all NCC services. 1 st Line – the duties of budget holders are clearly set out and these provide the primary source of assurance for monitoring budgets, devising and implementing corrective actions and generating options for savings and developments. 2 nd Line – this is a strong line of defence providing professional advice and guidance to budget holders, along with regular and consistent assurance to senior managers and Members. 3 rd Line – Internal Audit periodically reviews 1 st and 2 nd Lines of assurance. No gaps or duplications in assurance are identified.
Financial Management - Financial compliance	The Council's Financial Regulations set out the framework with which all officers and Members are required to comply. 1 st Line – reliance is placed on front-line managers to ensure all staff are aware of, and trained in, their responsibilities for compliance with Financial Regulations. 2 nd Line – continuous monitoring and guidance by a range of corporate professionals through a variety of means. 3 rd Line – Internal Audit provides independent assurance through its approved plan of coverage. No duplications in assurance are identified. The extent and focus of assurance provided by the 2 nd and 3 rd Lines of defence is flexible to respond to indicators of need.
Financial Management - Value for money	The fundamentals are in place to manage the economy, efficiently and effectiveness with which services are delivered. The annual report to be delivered by this assurance mapping process will provide an opportunity to present a co-ordinated and informed view of VFM. 1 st Line – all front-line managers are required to comply with established Council procedures for managing budgets and performance, alongside engaging with the Challenge Panel and transformation programme. 2 nd Line – routine reporting of performance, budget monitoring and progress with transformation projects, plus access to benchmarking sources. 3 rd Line – External Audit's annual VFM report is the primary, established source of assurance, although this is limited to the arrangements the Council has for securing value for money. No duplications in assurance are identified at this stage, but sources are diffused and not currently captured in a co-ordinated manner. Additional 3 rd Line assurance from Internal Audit is currently being delivered in the form of a review of financial resilience (see below at para 8)
Financial management	Council policy is clearly established for managing the Council's funds. 1 st Line – responsibility for the day-to-day arrangements for managing compliance with Council policy.

- Financial prudence	<p>2nd Line – comprehensive and regular reporting of compliance and performance against the policy to appropriate Committees.</p> <p>3rd Line – Internal Audit's cyclical reviews complement the annual coverage by External Audit as part of its opinion work on the statement of accounts.</p> <p>No gaps or duplications in assurance are identified.</p>
Performance Management	<p>The Council's Planning and Performance Management Framework establishes the procedure with which all services are expected to comply.</p> <p>1st Line – day-to-day responsibility for implementing the Framework in each area of service, monitoring progress against performance targets and devising corrective actions where required.</p> <p>2nd Line – routine and regular reporting to appropriate Committees of progress against corporate and departmental plans.</p> <p>3rd Line - Internal Audit periodically reviews 1st and 2nd Lines of assurance. This is complemented by periodic and ad hoc reviews by a range of external inspectors to assess the quality of service delivery in target areas.</p> <p>No gaps or duplications in assurance are identified.</p>
Risk Management	<p>The Council's Risk Management Framework establishes the procedure with which all services are expected to comply.</p> <p>1st Line – all service managers are expected to implement the risk management policy in their areas of service and to engage with the established departmental and corporate risk management groups.</p> <p>2nd Line – advice and guidance is provided by corporate professionals in risk management, along with regular and consistent assurance to senior managers on the Risk Safety & Emergency Management Board and to Members on the Governance & Ethics Committee.</p> <p>3rd Line – Internal Audit provides a periodic review of the 1st and 2nd Lines of assurance. This is designed around the regular reviews and inspections carried out by the Council's insurers and by health and safety assessors.</p> <p>The assurance map has identified a gap in assurance in that there is no clear process for establishing the Council's risk appetite.</p>

7. Arising from the above, there are two areas in which assurance gaps have been identified:
 - a) *Financial management - Value For Money*: the key issue here is that there is no co-ordinated approach for bringing together sources of assurance into a regular assessment of value for money in the delivery of services. The production of the annual assurance report, as part of this pilot process, may be used as an opportunity to fill this gap. For 2018/19, this will be supported by the completion of the financial resilience audit.
 - b) *Risk management*: no assurance has been identified that the Council's risk appetite in the delivery of its services is clearly established. This issue will be discussed further with the Group Manager – Emergency Planning Management and Registration, to explore options for addressing this gap.
8. The final two stages of the process are to gather evidence from the sources of assurance identified in Appendix 2 and to present the findings in the form of an annual assurance report. These stages will be carried out in the final quarter of the year, with a view to presenting the annual report alongside the draft Annual Governance Statement at the Committee's meeting in May 2019. The opportunity will be taken as part of the next update to review the pilot process and to make recommendations for its future use in the Council.

9. Members of the Governance and Ethics Committee requested independent assurance on the financial resilience arrangements in place at the Council, following presentations by officers relating to the Northamptonshire Best Value Report. In line with the agreed engagement record for this work, a two-phased approach is being applied to complete this review. Phase one is utilising the assurance mapping techniques piloted within this report, applied over five high priority risk areas:

- Strength of budgetary control
- Progress in delivering savings
- Use of capital receipts and one-off resources
- Dealing with increasing service demands and budget pressures
- Engaging external assurance

10. The findings from phase one, in particular any apparent weaknesses in assurance, will be incorporated within phase two. This will also consider three further medium level risks:

- NCC officer structure and leadership;
- Consideration of issuing a S114 Notice; and
- Role of Members in scrutiny.

11. The scope of the engagement has also incorporated trigger areas identified from attendance at the Public Sector Audit Appointments – Local Audit Quality Forum, further details of which are separately reported on today's agenda. Members will be updated with the outcomes from each phase as they become completed.

Other Options Considered

12. 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

13. 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

14. 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 agree the suggested approach for addressing the gaps in assurance identified so far, and consider whether there are any further gaps in assurance that they wish to see covered by the remainder of the pilot process.
- 2) Members agree that the Committee receives a further update following completion of the pilot process and to consider at that time recommendations for its future development.

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For any enquiries about this report please contact:

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Constitutional Comments (KK 14/01/2019)

15. The proposals in this report are within the remit of the Governance & Ethics Committee.

Financial Comments (RWK 14/01/2019)

16. There are no specific financial implications arising directly from the 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