GA.56 13/14	**H**
Committee: Governance & Audit	
Date: 10th April 2014	

Subject: Combined Assurance Report 2013/14

Report by:

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Purpose / Summary:

To present the Council's Combined Assurance Report for 2013/14.

RECOMMENDATION(S): For Members to review the Combined Assurance Report and note its contents.

IMPLICATIONS

Legal: None

Financial: FIN109/14 None arising from this report

Staffing: None

Equality and Diversity including Human Rights: None

NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).

Risk Assessment: None

Climate Related Risks and Opportunities: None

Title and Location of any Background Papers used in the preparation of this report:

Wherever possible please provide a hyperlink to the background paper/s

If a document is confidential and not for public viewing it should not be listed.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

| Yes | | No | X |

Key Decision:

A matter which affects two or more wards, or has significant financial implications

| Yes | | No | X |

1 Introduction

1.1 The purpose of the Combined Assurance Report is to produce a record of assurances against our critical activities and risks. It provides an overview of assurance across the Council making it possible to identify where assurances are present, and their source, and where there are potential assurance 'unknowns or gaps'. It offers a tri-angulated view of assurance with separate opinion provided by management; corporate and/or third party assurance and Internal Audit. The Combined Assurance Report is produced annually and the current report covers the period 2013/14.

2 Combined Assurance Report

2.1 This is the second Combined Assurance Report undertaken at West Lindsey District Council. It provides a view on assurance systems and services for the year ending March 2014. The report is offered at Appendix 1.

2.2 The report details the methodology that was used and the levels of assurance that we currently have.

2.3 By conducting this work, we are in a position to be able to identify where we need to obtain further assurance and at what levels and the findings will be used to focus on areas for improvement.

2.4 The Combined Assurance Report for 2013/14 records improvements and progress when compared to last year's report. Significant improvements in terms of the level of assurance have been recorded in relation to Transactional Services; Governance and Strategy; Localism and Projects. This is to be welcomed and reflects the efforts of colleagues over the last 12 months.

2.5 The report will be used as a basis for learning and improvements and service planning and will be updated to provide an overall level of assurance, focussing on the critical areas for the Council in achieving strategic objectives for the 2014/15 period.

Combined Assurance

Status Report – February 2014

West Lindsey District Council

Contents

Introduction

This is the second Combined Assurance Report for the Council.

Working with management we have been able to provide an update on the level of assurances the Council currently has on the areas of the business that matter most – highlighting where there may be potential assurance 'unknowns or gaps'.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

Our aim is to give Senior Management and the Audit Committee an insight on assurances across all critical activities and key risks; making recommendations where we believe assurance needs to be strengthened.

Scope

- ➢ We gathered information on our:

- ➢ **critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities, or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- ➢ **due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- ➢ **key risks** – found on our strategic risk register or associated with major new business strategy/change.
- ➢ **key projects** –supporting corporate priorities/activities.

Methodology

We have developed a combined assurance model which shows assurances across the entire Council, not just those from Internal Audit. We lever assurance information from 'business as usual' operations. Using the 'Three lines of assurance' concept:

3 LINES OF ASSURANCE

Our approach includes a critical review or assessment on the level of confidence the council can have on its service delivery arrangements, management of risks, operation of controls and performance. We did this by:

- ➢ Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.

- ➢ Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- ➢ Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- ➢ We used a Red (low), Amber (medium) and Green (high) rating to help us assess the level of assurance confidence in place.
- ➢ The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.

Key Messages

Significant progress has been made within the field of corporate governance over 2013/14. Services are documenting their processes into Approved Codes of Practice (ACOPs) to ensure absolute clarity on roles and responsibilities is provided.

A robust set of performance measures has been included for service areas to ensure that performance expectations are well understood and these performance expectations have been pushed through to officer objectives as part of the appraisal process. This was one of the commitments from last years' Combined Assurance Report.

Workshops have taken place with regards to risk management and SMART actions are now in place across the breadth of risk registers (service, corporate, strategic and project risks) and the corporate and strategic risk registers are standing items on the Core Management Team agenda and are shared with policy, scrutiny and regulatory committees.

A new project methodology has been put in place, building on the learning from the recent Elswitha audit and all projects have been migrated to the new form of documentation and revised gateway process.

Officers, managers and Members have been trained on their respective roles with regards to project management and decision-making and guidance questions will be provided to the management team with regards to the progression of projects and to elected Members to assist in gaining assurance during the decision making process.

Further work has been identified to help ensure that our partnerships and shared service arrangements are well governed and a programme is in place to ensure that this is delivered.

As a Council, we started this year with a red rating for governance and have made significant strides forward to improve our governance arrangements and consequently our ability to deliver outcomes for our communities.

We have raised the profile of good corporate governance with Members and officers, clarifying our respective roles and responsibilities and the boundaries which need to be in place and respected.

Figure 1 -
Your Overall Assurance Status on Critical Activities - February 2014
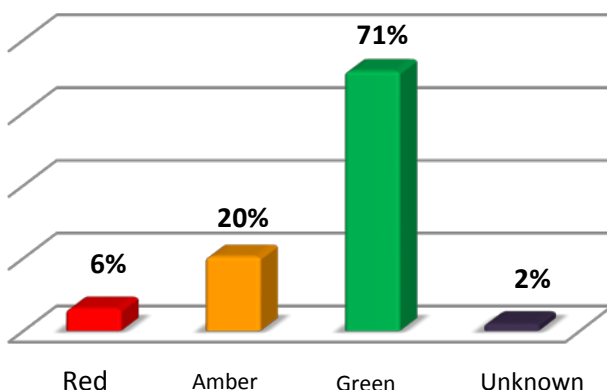
Figure 2 -
Your Overall Assurance Status on Critical Activities - June 2013
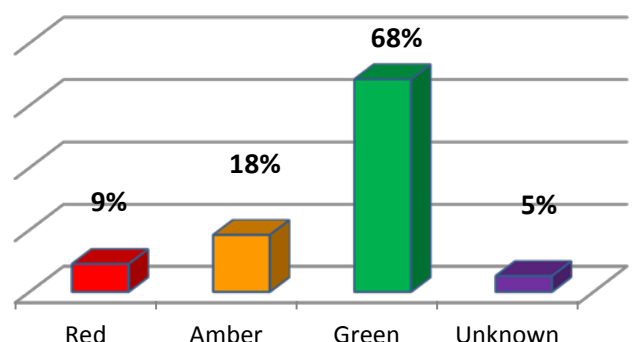
Critical Systems

Critical systems within the Combined Assurance Report are divided into four sections:

Transactional Services

Transactional services refer to the agreed set of services and functions run by the Council. Each service area should have clarity of its purpose, an understanding of their stakeholders and clear processes for delivery and managing performance.
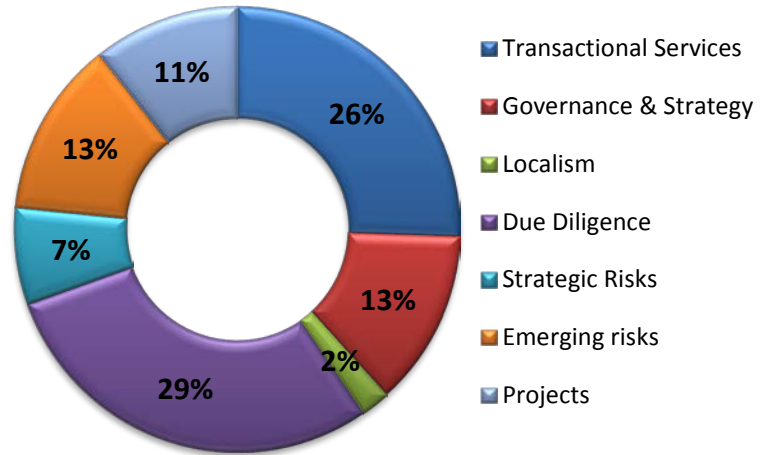
Governance and Strategy

This section includes corporate governance framework, risk management, partnerships and project management. Human Resource management is also included along with key strategies.
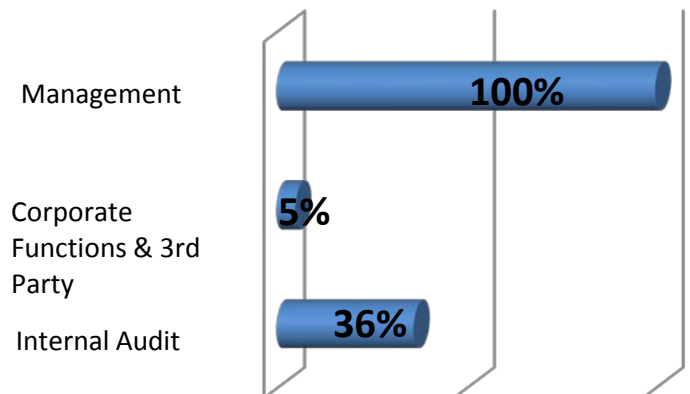
Localism

The Localism Programme aims to support community capability and capacity for self-help. This section includes big society, neighbourhood planning and volunteering.

Due Diligence

This includes those functions that support the running of the Council and ensure compliance with policies.

Pie chart (Critical Systems):
- Transactional Services: 26%
- Governance & Strategy: 13%
- Localism: 2%
- Due Diligence: 29%
- Strategic Risks: 7%
- Emerging risks: 13%
- Projects: 11%

Who Provides Your Assurance

- Management: 100%
- Corporate Functions & 3rd Party: 5%
- Internal Audit: 36%

Transactional Services

Transactional services have been reviewed for the purpose of this report based on the view of the service managers, internal audit and external assessors and an assessment of service performance measures, risk management, customer complaints and project management arrangements.

During 2013, performance measures across a balanced range of perspectives were agreed for all service areas within the Council. These measures consider financial performance, service delivery performance and customer satisfaction with services provided. For the majority of cases, service performance is as expected or better.

A review of the performance management reporting arrangements was undertaken by the scrutiny committee by the Progress and Delivery Working Group which helped to establish the current measure set.

Additionally, during 2013/14 seven In Depth Business Reviews (IDBRs) were undertaken across the Council's core service areas. These reviews benchmarked performance and cost with other District Councils across the country. In over 90% of financial comparisons, the Council was operating within the first or second quartile for costs, which is excellent overall performance.

Within service delivery performance, benchmarks have identified potential for improvement which have been included within service improvement plans in the coming year. Additionally, each service has a cost reduction plan and will review opportunities for shared services to drive further efficiencies.

All service areas this year participated in action learning risk management meetings to ensure that risks were fully considered on an on-going basis via discussion and review at team meetings and mitigating actions are identified and put in place.

Each workshop encouraged the team manager or service manager to consider risks of fraud, loss of life, personal injury, financial losses and reputation.

Doughnut chart: Red 14%, Amber 19%, Green 61%, Unknown/Gap 6%
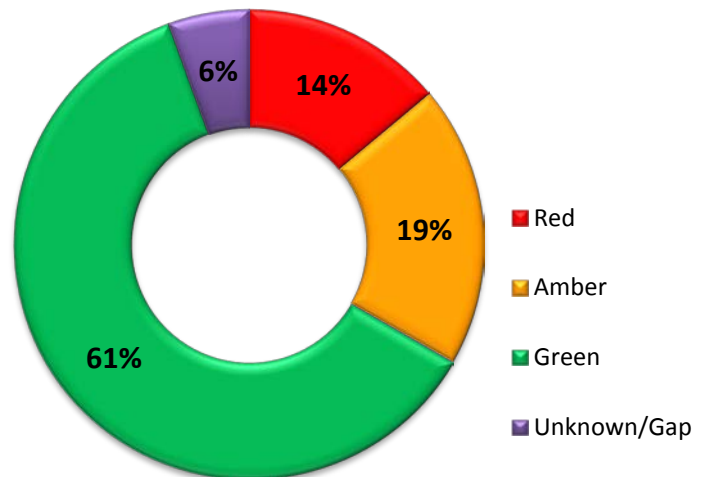
The risk management follow-up review by Internal Audit has taken place which considered progress made and the quality of risk management and concluded that significant progress had been made within a year and offered a positive direction of travel.

A review of complaints has been undertaken which shows significant improvement year on year in terms of the number of complaints received against services.

Improving Governance and Assurance

Adopt exception reporting where reported performance is below or in excess of expectations.

Implement Chief Operating Officer leadership of performance reporting and Progress and Delivery processes.

Service Teams to develop service plans using appropriate findings from the IDBRs and other relevant analysis.

Governance and Strategy

Risk Management

As mentioned previously, significant work has been undertaken this year to ensure that risk management is embedded across the organisation. Action learning sets have taken place with service areas to challenge their risks, identify previously unidentified risks and to ensure that all risks have clear appropriate actions for mitigation and management. The strategic risk register is now owned by the Core Management Team and committees with Governance and Audit committee reviewing the register to gain assurance on the effective management of risk. The corporate risk register is a standing item on the Core Management Team agenda. Risk management is to be audited in the coming year and we are hopeful that the improvements will be recognised.

Project Management

A new project management methodology was introduced during 2013/14 and the structure of the internal programme boards amended to ensure clarity and consistency in decision-making.

## Partnerships and Shared Service Governance

A number of issues have been identified this year with regards to our governance arrangements for partnerships and shared service arrangement and this requires immediate focus by the Core Management Team.

Approved Codes of Practice

A set of Approved Codes of Practice (ACoPs) are being drafted to support the governance framework by providing clarity on key processes with regards to roles and responsibilities, format, timescales and escalation routes for non-compliance. This will help to address previous concerns raised that we have processes that are fit for purpose in place but people do not follow them.

Investment Decisions

Guidance on investments has been issued to managers and those involved in procurement to ensure lessons from the 'Elswitha' project are learnt and mistakes are not repeated. A specific working group of the scrutiny committee is in place to oversee the delivery of the Elswitha Action Plan.

Legend:
- Red
- Amber
- Green
- Unknown/Gap

Values shown: 6%, 44%, 50%
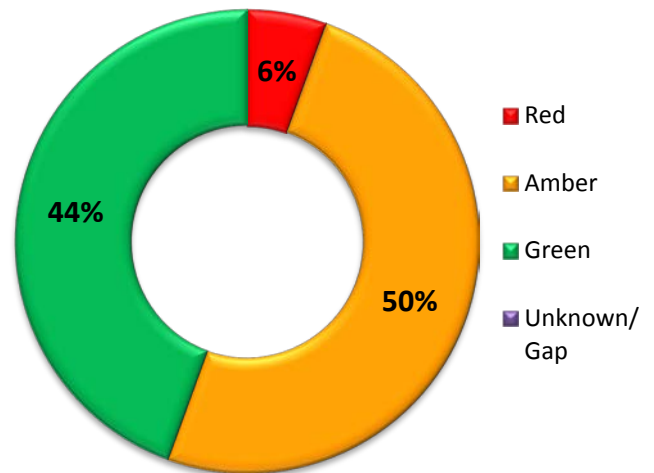
Organisational Development

Members have had personal development plans and 95% of officers have had an appraisal to identify individual training needs. These have been added to both team and corporate training requirements to develop the organisational development plan which aims to ensure that our staff and Members have the skills required to deliver our core services effectively and our priorities.

The performance management framework shows clearly how staff objectives fit in with corporate priorities.

Performance Management

A set of performance measures has been agreed for each of our service areas to provide clarity on performance expectations and to enable us to monitor the quality of service delivery to ensure that any issues can be addressed quickly.

Corporate Plan delivery performance management will be monitored by way of monitoring project delivery progress and the successful achievement of outcomes.

Scrutiny: The scrutiny function will take on a stronger role around the progress and delivery report and the Corporate Plan priorities to challenge stakeholder involvement in setting priorities, performance of services and progress of key projects.

Improving Governance and Assurance

A comprehensive action plan is in place to strengthen governance across the Council with progress reported to CMT and the Governance and Audit committee.

Localism

With ever decreasing resources coupled with increasing demands from communities, West Lindsey have adopted an approach to localism which aims to build the capacity and capability of our communities to adapt to the reduction in public sector funding and focus more on self-help and helping each other.

This work is delivered by our Localism team, which are also responsible for community safety and antisocial behaviour.

Our approach to localism has been well received in the main and has supported the delivery of a number of community projects and encouraged the uptake of volunteering. We have been successful in this respect as we have witnessed an increase in the overall number of volunteering hours across the District.

Significant work has been undertaken in this area to work with communities to identify their priorities and help develop action plans for improvements. These priorities have been included in the Corporate Plan Refresh. There has also been an increase in community action; the take-up of community focussed funds and a subsequent increase in the value of external funds levered in to support local projects to assist communities to help themselves and improve the quality of life across our diverse communities.

A review of Localism is currently underway with the Council's scrutiny function (Challenge and Improvement Committee). A Member-led working group has been established which has produced an action plan to drive further improvement and enhancements to our Localism approach.

A review of Community Safety activities has taken place this year. This has led to improved partnership working and more effective management of anti-social behaviour and a reduction in the levels of recorded anti-social behaviour incidents through the adoption of a pro-active and educative approach. Such demand management is essential to ensure we can focus scarce resources on priority needs.

Legend:
- Red
- Amber
- Green
- Unknown/ Gap

100%
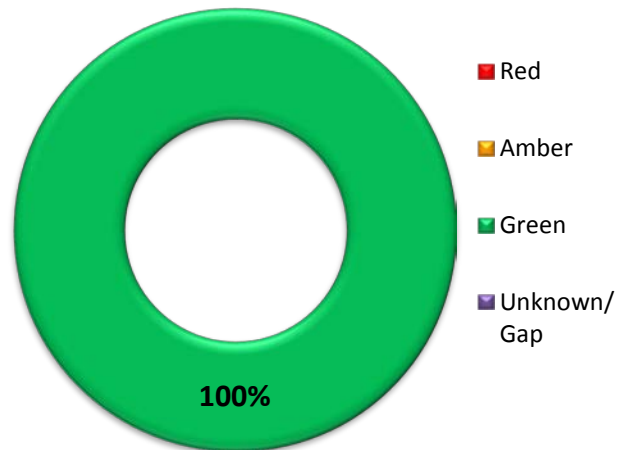
Improving Governance and Assurance

We have recognised the need to develop a communications strategy through the working group to ensure we celebrate success across the Council and the District.

An increase in Member awareness is required to ensure we are able to effectively promote and publicise activity across the District in terms of projects undertaken and funds generated.

We are keen to develop appropriate measures to assess social return on investment through the delivery of the localism programme.

Due Diligence

Most due diligence areas have an overall assurance status of green, which is reassuring. Such assessments were ascertained after due consideration had been given to a range of indicators against which individual areas could be assessed. These indicators included performance, costs of delivery, the quality and breadth of project and risk management within the area.Those areas identified as amber either have improvement plans in place or have completed necessary actions.
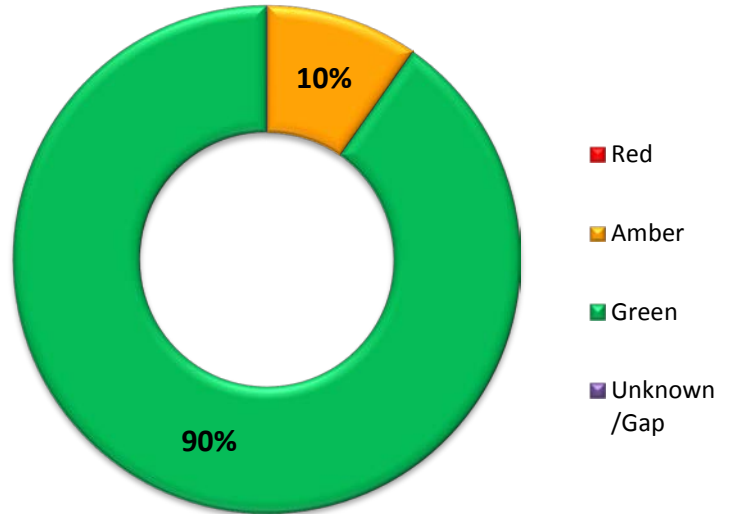
Improving Governance and Assurance

In relation to equality and diversity we will raise the profile of the subject through a series of Member training and staff awareness events.

An ACoP will be developed around grant funding applications to ensure compliance with the terms and conditions upon which monies are awarded.

Suggested Next Steps:

1. **Evidence Base for Strategic Decisions:** Further work needs to be undertaken to strengthen the evidence base for strategic decision-making. This will ensure that information used to inform communities about their area and to inform decision-making are up-to-date and put in context. This also includes the pro-active delivery of briefing papers by service areas to the Core Management Team and Members to ensure that they are informed of significant changes which may affect the Council. This is will enable us to assess any strategic risks and put the necessary actions in place to manage them.

2. **Partnerships:** Further work needs to be undertaken on key partnerships to ensure that the necessary governance arrangements are in place to ensure successful delivery.

3. **ACoPs**: Work on this aspect needs to be developed in order to produce a portfolio of such documents which cover key areas of corporate activity and support colleagues in ensuring they carry out their responsibilities in a consistent and efficient manner. Such consistency will assist in strengthening corporate governance overall.

4. **The Internal Audit Plan** for 2014/15 will be informed by the findings of this report as will service planning. The outcomes of any audits will help to inform our action plans and next steps.

Strategic Risks

The Council has once again refreshed its Corporate Plan to ensure that it has a clear focus on priorities for the medium term. The review of projects has helped strengthen the capital programme to ensure that expenditure required to deliver the corporate priorities is understood and in place.

Recent and impending legislative changes have been considered and included in the national and local context of the Corporate Plan and clear standards have been set for all service areas as part of the review of performance measures.

It is against this backdrop that the strategic risks for the Council have been considered. The Core Management Team maintain the Strategic Risk Register and ensure appropriate horizon scanning and that steps are taken to make sure that the Council is well-positioned to manage any risks which come to fruition or to take advantage of changes. Strategic risks are shared with policy committees and the Governance and Audit Committee.

The Core Management Team are generally risk aware and prepared to take calculated risks.

The significant risks facing the Council are reflected in the Council's Strategic risk register. The top three identified are related to:

1. Corporate Governance
2. Financial Sustainability
3. Local Development Framework

Council's highest rated Strategic Risks

Corporate Governance

Financial Sustainability

Local Development Framework

All risks have mitigating actions, which have been shared this year with the relevant policy committee, the scrutiny committee and audit committee to ensure Member awareness. This ensures ownership and scrutiny from the policy committees and confidence of assurance that risks are being managed by the Governance and Audit Committee.

The overall position with regards to strategic risks is that the officers and Members feel that they are being properly managed and that the mitigating actions in place will ensure that the strategic risks, should they materialise will not prevent delivery of the corporate priorities.

Projects

During 2013/14, a review of project management arrangements was undertaken which resulted in the approval of an approved project management methodology. This was a commitment made in last years Combined Assurance Report.

Significant work was undertaken to ensure that all recommendations from the Elswitha internal audit report were considered as part of the project management methodology development to ensure appropriate guidance was provided to officers and Members around project governance and investment decisions.

Significant work has taken place to ensure all projects have migrated to the new methodology to ensure consistency in approach.

Gateway reviews have been included at relevant stages of project development to ensure that the correct questions are asked and checks are in place to prevent projects progressing without following due process.

All reports will report through the Commercial Board which has clear terms of reference to ensure consistency and clarity in the decision making process.

Guidance has also been provided to elected Members to assist them in making safe decisions at Committee.

A working group of the Challenge and Improvement Committee was set up to challenge the robustness of the response to the issues identified in the Elswitha Audit report. This group has made its recommendations which have all been delivered.

Assurance on your key Projects

- Red — 20%
- Amber — 13%
- Green — 47%
- Unknown/Gap — 20%
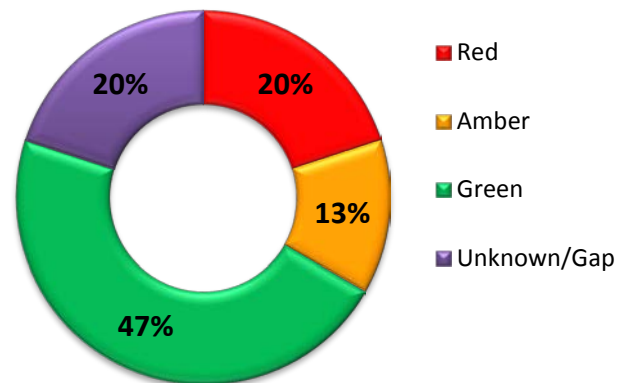
Improving Governance and Assurance

Embed new project management methodology.

Ensure effective Member/officer training is conducted.

The Commercial Board will monitor the use of and the effectiveness of the methodology.

Partnership Governance

As part of the Council's transformation plan, our approach to localism aims to change the relationship between the local authority and its communities and build the capacity of our communities to tackle outcomes themselves. This, in addition to the programme on shared services as part of the efficiency agenda, will require that robust partnership and shared service governance arrangements are in place.

An internal audit into partnership governance was commissioned this year to help us understand where improvements are required. A programme of work has been put in place to ensure that governance arrangements for our key partnerships are fit for purpose. Through a discussion with the Core Management Team it was agreed that strong governance arrangements should be in place for partnerships where:

1. The Council is committing significant resources to the partnership,
2. The Council is committed to adopting policies or changing working practices to support partnership objectives based on similar commitments made by others, or
3. The partnership is critical to the successful delivery of the Councils corporate priorities

Partnership governance arrangements should include as a minimum:

1. Clear articulation of the outcomes that the partnership seeks to achieve and the objectives for ensuring delivery,
2. Clear accountability for delivery of the objectives,
3. A clear timeline for delivery,
4. A partnership risk log,
5. Agreed channels of communication,
6. Minutes of meetings,
7. A performance management framework to track delivery and the achievements of outcomes.

As part of the internal audit program for 2013/14, Audit Lincolnshire have undertaken an audit of governance arrangements for the Council's key partnerships. The findings of the audit have been taken on board and will form the basis of an improvement plan for partnership governance.

Improving Governance and Assurance
1. Develop a register of key partnerships
2. To develop guidance on all recommended governance arrangements for partnerships
3. Ensure all partnerships have a delivery board which they report regular programs and issues through

Looking Ahead

People

In the current economic climate, where serious thought has to be given to the recruitment of staff, we need to ensure that we take appropriate steps to undertake effective succession planning so that key skills are retained within the Council in the event of retirements and resignations. Additionally, we have to align individual staff performance objectives with the activities required to successfully deliver the objectives of the Corporate Plan.

Money

Financial Austerity within the public sector has been on-going for a number of years and is expected to continue for some years to come. As a Council WLDC has already experienced reductions of over 30% of its government funding and further reductions of £2m have been announced for the next two years. This is in addition to increasing costs, additional responsibilities and reductions in other income streams. The scale of these challenges cannot be underestimated and the combination of these factors point towards a bleak financial future; however, WLDC has responded positively so far and is well placed to continue to respond positively and effectively into the future.

Welfare Reform

The Coalition Government is set to continue its program of Welfare Reform over the coming years. The largest change which has been announced is the transition from Housing Benefit and five other Welfare Benefits to Universal Credit. The key characteristics of Universal Credit are:

- It will be paid as one single payment per household
- It will be paid monthly in arrears into a bank account
- Only on-line claims will be accepted
- Income will be verified based on real time information from the Her Majesty's Revenues Service.
- Work will always pay

West Lindsey will need to prepare itself and its residents for these changes to ensure that the transition is smooth.