



GA.47 14/15
Governance & Audit Committee
Date: 26th February 2015

Subject: Combined Assurance Report 2014/15

Report by:

Director of Resources: Ian Knowles

Contact Officer:

Business Improvement & Corporate Governance
Manager
01427 676537

Purpose / Summary:

To present the Council's Combined Assurance
Report for 2014/15.

RECOMMENDATION(S): For Members to review the Combined Assurance Report 2014/15 and approve its contents.

IMPLICATIONS

Legal: None

Financial: FIN122/15 None arising from this report

Staffing: None

Equality and Diversity including Human Rights: None

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 2014/15.

2 Combined Assurance Report

- 2.1 This is the third Combined Assurance Report undertaken at West Lindsey District Council. It provides a view on assurance systems and services for the year ending March 2015. 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. The methodology has been amended slightly from that used in last year's report whereby the number of components contained within the report have been rationalised to produce fewer components for assessment. For example Council Tax was previously broken down into its core elements (seven) with all being assessed, whereas this year it has been assessed as a single entity.
- 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 This report as presented represents a realistic, yet positive picture of the levels of assurance in place across the Council and illustrates that our assurance framework is working well.
- 2.5 It appears that there has been a reduction in the percentage of critical activities that have been assessed as 'green' in nature, when compared to last year's findings (61%: 71%). However this has been brought about as a result of the rationalisation detailed at 2.2. Last year, the majority of the elements that have been subsequently rationalised were assessed as green. If the same methodology had been adopted for this year's report, it has been calculated that 73% of critical activities would have been calculated as 'green'.
- 2.6 In the majority of cases, those aspects that have been identified as cause for concern (red rating), confirm our existing opinions and remedial action is underway or planned. The report provides assurance therefore that we are recognising issues ourselves and acting accordingly.

- 2.7 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 2015/16 period.
- 2.8 The findings of the report will be used to inform Internal Audit's work plan for 2015/16.

Combined Assurance

Status Report West Lindsey District Council



Assurance

Date: January 2015

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Lincolnshire
COUNTY COUNCIL



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Contact: Ian Knowles, Director of Resources
Details: Ian.Knowles@west-lindsey.gov.uk

1. Introduction

This is an updated combined assurance report following the development of the combined assurance map first reported in March 2014.

We have again worked with management to show what 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 stronger.

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 the 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 leverage assurance information from your ‘business as usual’ operations. Using the ‘3 lines of assurance’ concept:

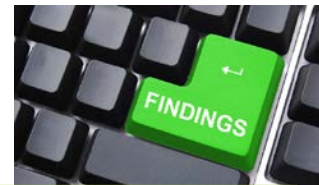


Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

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.

2. Key Messages



Over the course of the year, we have consolidated our progress in relation to corporate governance, resulting in an improved 'amber' rating from Internal Audit and positive feedback from both Internal and External Audit on the format and content of the Council's Annual Governance Statement for 2013/14. This report therefore represents a realistic, yet positive picture of the levels of assurance in place across the Council and illustrates that our assurance framework is working well.

Our efforts have included the on-going development and implementation of Approved Codes of Practice (ACoPs) where deemed necessary. These provide absolute clarity both on processes to be followed to ensure consistency of approach and also set out roles and responsibilities.

Performance Management has also received attention in the form of a revision of the measures incorporated into the Council's Progress & Delivery reporting and a revised format of the report to enable reporting by exception (above or below anticipated levels) to be highlighted for Members. In addition, the progress of key programme and projects has also been included within the Progress & Delivery reports. The creation of the Chief Operating Officer (COO) role has provided senior management leadership and accountability for performance management.

Following feedback it was felt necessary to revise the previous programme/project management methodology and supporting ACoP. This was opportune as it has enabled the creation of a new Board structure to be implemented alongside the refresh of the methodology to ensure programme/project scrutiny and oversight on the part of the Boards and the effectiveness and use of the methodology can be assessed.

During the year we welcomed internal audit findings of 'Substantial Assurance' in relation to our risk management and information governance procedures. This represents a positive direction of travel and reflects the good work undertaken in these areas.

Figure 1 - Your Overall Assurance Status on Critical Activities - Feb 2015

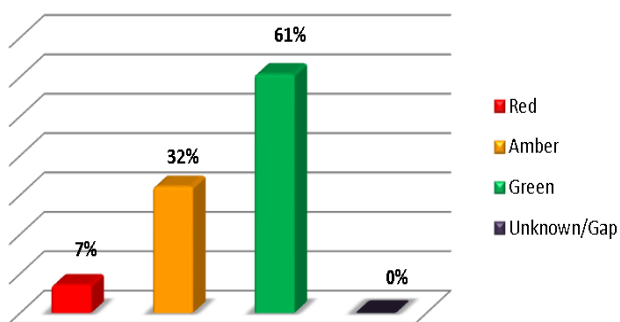
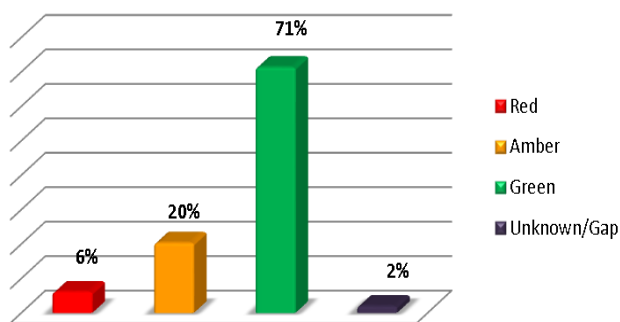


Figure 2 - Your Overall Assurance Status on Critical Activities - Feb 2014





Key Messages Continued

Work has also commenced with the Challenge & Improvement Committee in respect of the approach they adopt to ensure they take a proactive role in assessing the contribution external organisations play in contributing to the well-being of the District. This has resulted in the identification of bodies that play a strategic role across the District who have been invited to attend the Committee and discuss topics/issues of a strategic nature. This approach enhances accountability for service delivery and the effectiveness of other public service providers.

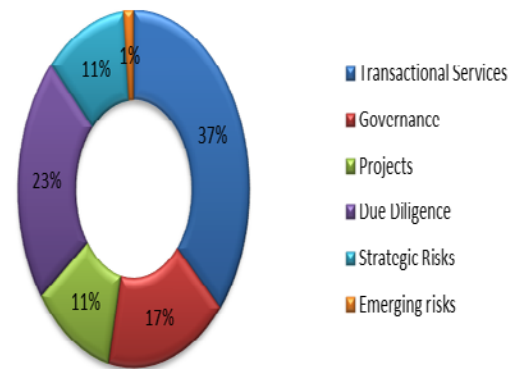
Action to address senior management capacity issues was taken during the year and culminated in the appointment of three new directors to provide strategic direction. Additionally, a re-structure to appoint strategic leads across service areas has commenced to ensure that appropriate skills and capacity are in place to enable the Council meet both challenges and opportunities alike.

Work to improve our approach to Partnership working has also been undertaken and has produced an ACoP for guidance and the creation of a partnership register. This work will continue to ensure all relevant staff are familiar with the subject matter and the Council's partnership working is meaningful.

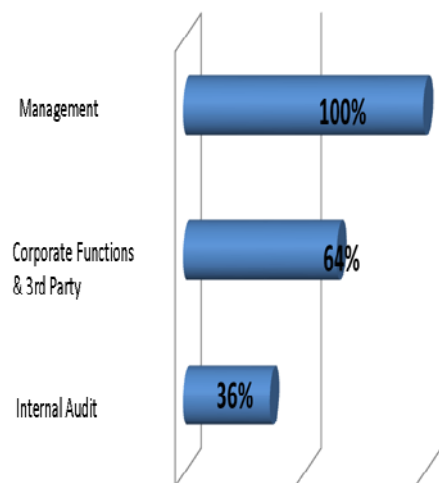
The Council conducts regular engagement sessions with residents and the Citizen's Panel is active. Feedback on the quality of services is welcomed as is a wider contribution to the issues the Council should prioritise with Waste Services, Community Safety and Public Protection and Food Safety prominent among residents thoughts. Generally, satisfaction levels with the quality of the services delivered are high.

Additionally, many of the critical activities are supported by high levels of corporate or third party assurance. These may be provided through regular reports submitted to Scrutiny Committees or processes such as Inspections and Peer Reviews.

Distribution of Assurance



Who Provides Your Assurance



Assurance is also provided through reviews conducted by Corporate Audit and Risk Management. This provides independent oversight and added value through recommendations made for improvement and complements any external reviews or inspections carried out. Any recommendations made are monitored to ensure implementation with progress reported to the Audit Committee.

3. Looking Forward

People

In the coming year we will be working to complete the senior leadership restructure with the appointment of Strategic Leads in the areas of Commercial Development; Organisational Transformation; Growth & Regeneration and Customer Focus. Additionally, we recognise that the prevailing environment within which we operate necessitates a review of the behaviours and competencies of staff and we will therefore be implementing a comprehensive learning and development programme for Team Managers to complement the Senior Leadership Team.

With forthcoming District elections we need to ensure that we have processes in place to manage these effectively and also provide a framework to support the induction and identification of development needs of newly elected Members.

Constitution

The restructure and elections will necessitate a review of The Constitution to ensure that roles and responsibilities are clearly defined; effective support is in place for Committee Chairs and the Scheme of Delegation is appropriate and complies with legal requirements yet enables quick decision making when required. A 'fit for purpose' Constitution will ensure The Council continues to make 'safe' decisions.

Finances

The on-going financial austerity continues to present difficult challenges, with a further £2.5m in savings required by 2019/20. The Council will continue to adopt an entrepreneurial approach to its business, which so far has reaped dividends, with great emphasis placed on commercial activity and use of our land and property assets.

Commercial Approach

To enable the Council meet the financial challenges detailed above it is vital that it continues to develop its commercial approach. To this extent attention will be paid in the year to ensuring that a Commercial Plan is in place which sets out clear aims and objectives and is supported by an annual delivery plan. Additionally the Council must also properly resource commercially related activity and ensure that the appropriate skills and behaviours are in place.

Business Planning

This aspect will be developed over the coming year to ensure that service areas identify and prioritise potential efficiency and/or income generating projects which can be costed and inform the Medium Term Financial Plan.

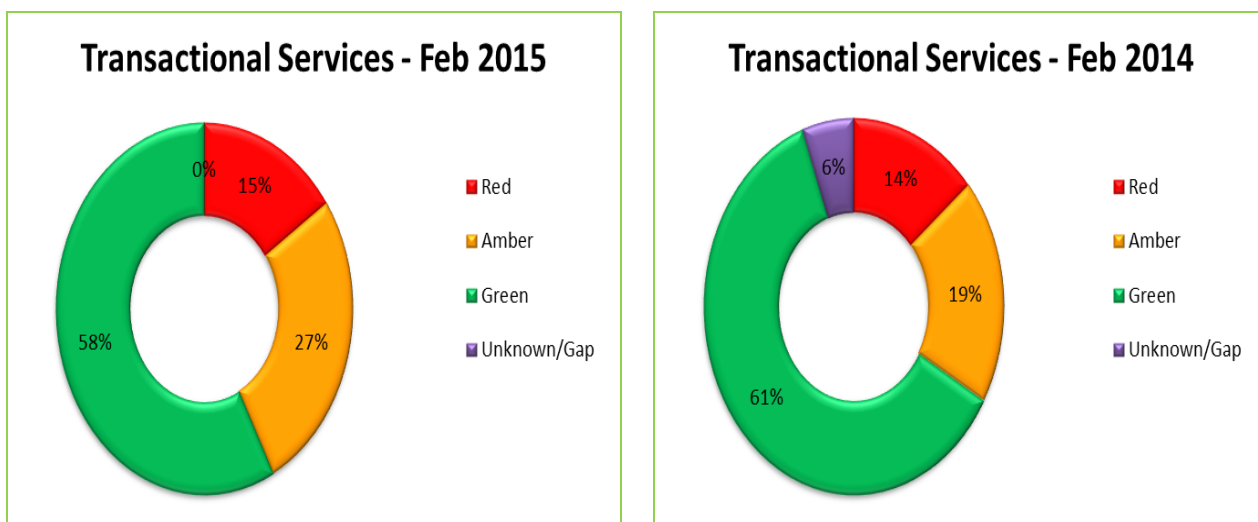
4. Critical Systems



Across our critical systems we are in agreement with the reported levels of assurance and the methodology adopted to assess them. We believe we are a mature enough organisation to act objectively and where issues are identified have the confidence to request assistance and/or further investigation in the form of commissioning audits to investigate the perceived problems. Greater use of benchmarking may be beneficial to position our levels of service delivery/performance and assess the effectiveness of our critical processes and procedures.

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.



The creation of the COO role has provided much needed oversight of the performance and management of the Councils' transactional services. These in the main form the majority of the Councils front-line services and as such the quality of their delivery plays a major role in contributing to the reputation of the Council amongst residents and Members. During 2014, performance measures based on a balanced scorecard perspective were again devised for all service areas and monthly reporting and analysis of performance is overseen by the COO. Progress and Delivery reports are generated from the analysis of service level performance and are reported to Members three times per year on an exception basis (above or below anticipated performance levels) and where performance is below expected levels, assurance is provided that remedial action is in place to rectify matters. For the majority of service areas, reported performance was as expected or better. The implementation of the COO role and the adoption of reporting by exception were commitments made in last year's report and it is pleasing to state that they have both been delivered.

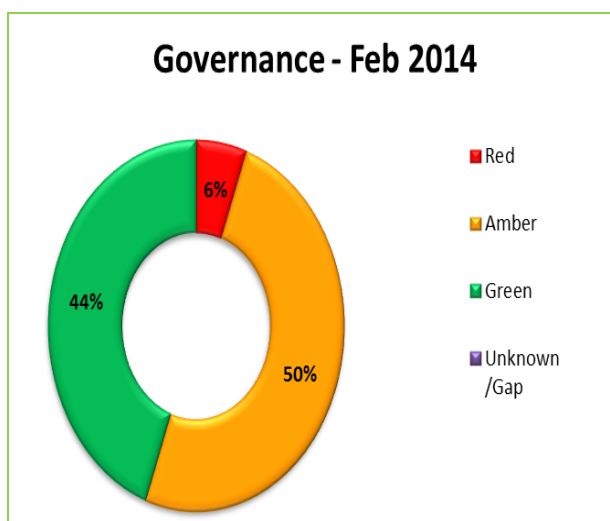
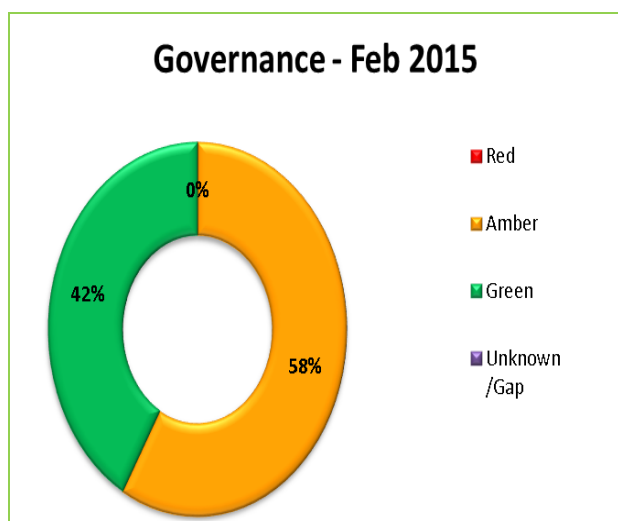
Customer feedback is gauged across the Council and reporting on the number and type of complaints received is well established. It is pleasing to record that in the course of 2014 there has been a reduction in the number of complaints when compared to last year.

Issues have been identified within Development Services due to capacity and workload issues. In the short term, extra interim capacity has been sourced while longer-term solutions are identified. An audit is currently underway within the service and its findings are anticipated.

Service planning across service areas has not been firmly established during 2014 and will remain a focus for the current year to ensure that service delivery improvements are realised. Additionally, the notion of ‘business planning’ for service areas will be progressed to assist in the delivery of fully scoped, costed and prioritised programmes/projects.

Governance

This section includes corporate governance, risk management, partnerships, projects and contract management and Human Resources.



During the year, an improvement in the Council’s overall governance arrangements was recognised by Internal Audit who provided an ‘amber’ rating as opposed to the previous years’ ‘red’ rating. This improvement is as a result of the work undertaken via the ‘Governance Action Plan’ which addressed a number of areas of identified weakness. Work has been on-going to ensure that procedures remain robust and adhered to; that areas of weakness are addressed and that the message that governance forms part of everyone’s day to day responsibilities is impressed upon colleagues. ACoPs are used as an effective method of providing guidance for colleagues on critical processes and to ensure consistency of approach. Additional ACoPs are developed where the need is identified.

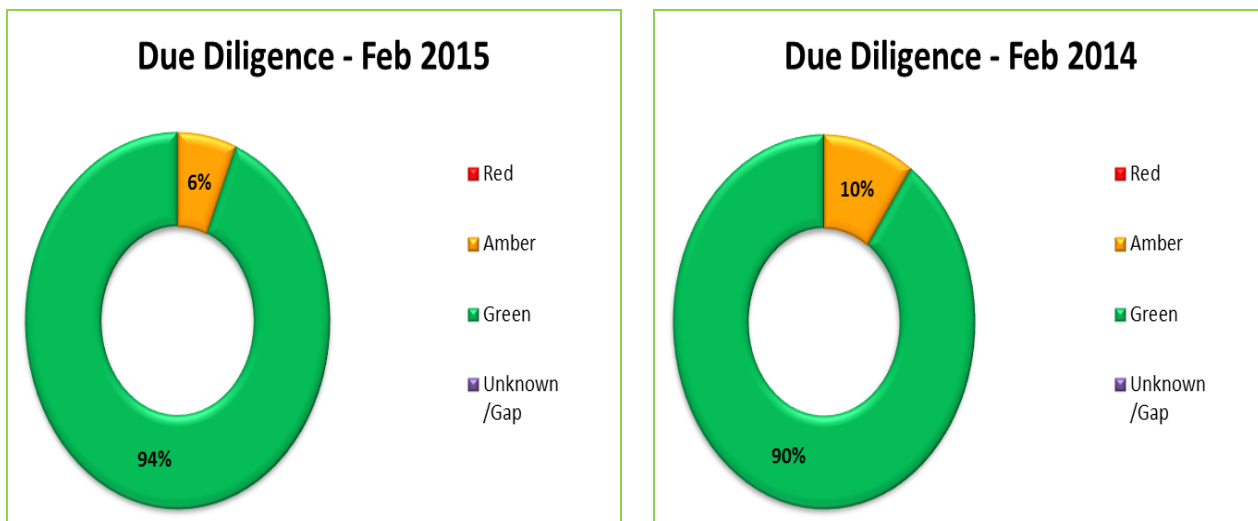
The implementation of partnership management procedures and guidance and the refreshed project management methodology are too recent to be able to assess their functioning as fully effective. However it is anticipated that over the course of the year this position will change. Contract management is also an area that needs to be monitored during the year following the implementation of new contract management software.

Governance areas that are performing effectively include the critical topics of risk management and information governance, while communications; HR policy and procedures and training and development are also functioning in a similar vein. In a changing working environment requiring enhanced and/or additional skills it is vital that effective HR and training and development procedures are in place. In the year 97% of staff received an appraisal and individual training needs were identified which informed the Council's overall training and development plan. Member development however, is recognised as requiring attention as it is not fully developed and will be subject to internal audit review in 2015/16.

Performance management is developing in the form of service areas reporting to the COO on their performance with an emphasis on providing rectifying actions where performance is below expected levels. Members are provided with Progress and Delivery reports (the format of which has been developed during 2014/15) which highlight areas of under and over performance within service areas and the reports also detail the position relating to the progress of key programmes/projects. However, the process has not yet fully matured and therefore will continue to receive close attention to ensure it meets the needs of both management and Members.

Due Diligence

Functions that support the running of the Council and ensure compliance with policies.



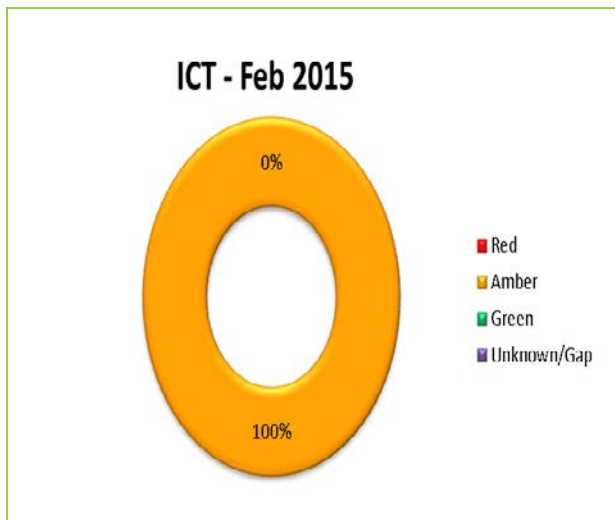
The assessments relating to due diligence were ascertained after due consideration had been given to a range of indicators against which individual areas could be assessed. These indicators included performance, costs of delivery, the quality and breadth of project and risk management within the area and any conclusions from recent audits. All but one of the components included under this grouping have been assessed as being no cause for concern which is re-assuring.

The exception is the subject of Grants and this will therefore be included in the Internal Audit work plan for 2015/16. This is an area that the Council has recognised as requiring attention and is particularly keen to assess compliance levels with the terms and conditions upon which external monies are awarded. Therefore the forthcoming audit will provide an opportunity to receive objective assessment and the development of an action plan to address any identified issues.

Generally, however, our activities which comprise⁷ due diligence are operating well but will continue to be monitored and assessed.

ICT

(Not previously reported separately)

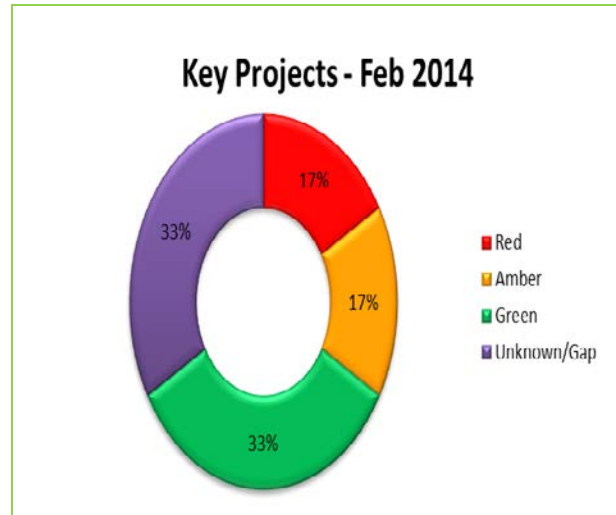
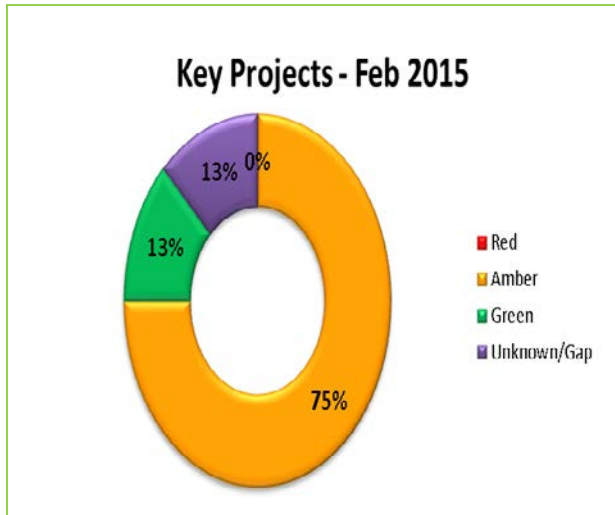


The ICT aspect of the report comprises analysis of ICT Management; IT Infrastructure & Security and IT Applications. All are assessed as currently being 'amber' in nature due to the fact that within the service there is currently a lack of a strategic lead, which directly affects the levels of assurance. However, the current recruitment of strategic leads will address the current gap in this regard. Additionally, the service has commissioned an independent study of current IT systems to assess their overall effectiveness.

During the year the service secured PSN compliance and is also currently undertaking an exercise to migrate all users to a new infrastructure. This work is proceeding to plan.

Despite the 'amber' rating the Council is confident that its IT security arrangements are sufficiently robust and the current IT systems in use support the work undertaken by service areas. On-going monitoring of these aspects takes place.

Key Projects



During 2014/15, a further review of project management arrangements was undertaken as feedback from users of the previous processes deemed this to be warranted. This has resulted in a revised set of documentation, a supporting ACoP and work undertaken to assign all projects to one of the newly created Boards. Each Board has been assigned a Programme Manager to work with project leads and provide the Board with objective assessment of the progress and quality of individual programmes and projects. Boards are responsible for the initial receipt of project proposals and direct action from that point forward, including the receipt of progress reports as projects develop and benefits realisation following completion. Boards play a crucial role in ensuring that the methodology is adhered to and any issues are addressed including the collation of suggestions relating to potential improvement.

Workshops have been held with staff to explain the methodology and the concept and benefit of a 'Project Office' which has been created, within which all projects and associated documentation are held. This has resulted in greater transparency in relation to project related activity and a more accurate assessment of the current status of key projects than was achieved last year. Hence this year a greater number of projects are rated as 'amber' in status; while the number of projects that could not be rated has reduced significantly.

The initial results of this work are evident in that there has been a marked reduction in the number of projects where the stage of project development was unknown. In fact the findings for 2015 represent only one project. This project is in its earliest stage of development and as a result it is too early to be in a position for it to be assessed.

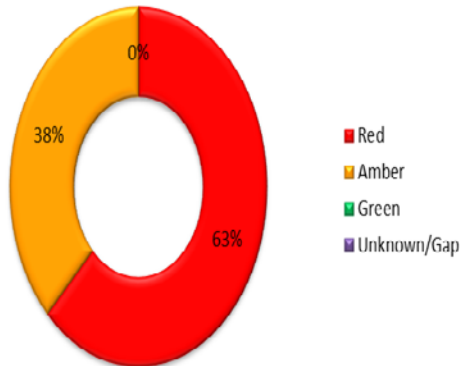
Many of the outstanding audit actions relating to project management (some dated) have been addressed and closed as a result of the implementation of the revised methodology and associated work. This is a welcome move forward.

During the forthcoming year, the effectiveness of the role the Boards play in driving project delivery will be monitored as will adherence to the methodology and the quality of project related activity.

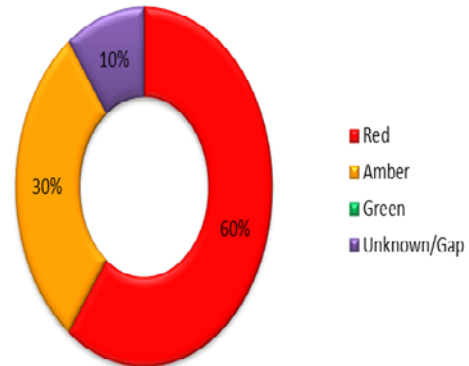
5. Strategic Risks



Strategic Risks - Feb 2015



Strategic Risks - Feb 2014



The significance of the issues facing WLDC is reflected in the Council’s Strategic Risk Register. The Council Leadership Team is generally risk aware and prepared to take calculated risks.

The top scoring risks are related to:

1. **Local Plan:**
Lack of a Local Plan will result in the absence of a strategic vision of the development needs of the District.
2. **Financial Sustainability:**
Reductions in funding, if not addressed, could lead to a severe adverse impact on the quality & breadth of services provided and a reduction in the Council’s ability to influence social issues.
3. **Service reductions through failure to deliver:**
Greater collaboration required along with transformation to ensure efficiencies are realised to prevent service reductions and minimise the risk of failure to address social issues
4. **Leadership capability amongst Members and managers:**
Required to drive improvement and make difficult decisions in light of new operating environment.
5. **Commercial Approach:**
Robust and effective approach across the Council required to identify and exploit potential commercial opportunities.

Council’s highest rated Strategic Risks:

Local Plan

Financial Sustainability

Service reductions through failure to deliver

Leadership capability amongst Members and managers

Commercial Approach