Assurance LINCOLNSHIRE

For All Your Assurance Needs

West Lindsey DC

Combined Assurance Status Report

Lincolnshire COUNTY COUNCIL

Working for a better future

January 2018

What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

Combined Assurance Status Report

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Combined Assurance Status Report

Introduction

This is the fifth combined assurance report for West Lindsey District Council.

By grouping the different sources of assurance in a single model we provide the basis for Senior Management and Audit Committees to gain a better understanding of their organisation's assurance status and needs.

We do this by coordinating assurance arrangements – providing some structure – this is our Assurance Map.

We have well established Assurance Maps that help us to focus our work plans on the make or break risks that affect the successful delivery of services and strategic objectives. The Maps also recognise the importance of critical business systems that support successful delivery and 'protect the business' – the due diligence activities.

The Maps give an overview of assurance provided across the whole organisation – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance 'unknowns or gaps'.

The Maps are an invaluable tool for senior managers, providing a snapshot of assurance at any point of time. This report explores those assurances in more detail.

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

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

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, operational risk registers or associated with major new business strategy/change.
➤ **Key projects** –supporting corporate priorities/activities.
➤ **Key partnerships** – partnerships that play a key role in successful delivery of services

Methodology

To ensure our combined assurance model 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:

Management	• Accountable for Delivery
Corporate and Third Party	• External Inspections & Internal Assurance Functions
Internal Audit	• Independent Assurance

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.

➢ Considering other information and business intelligence that feed into and has potential to impact on assurance.

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

The production of this year's Combined Assurance Report has again been a positive experience, with meaningful participation on the part of team managers and senior officers. The findings are an accurate reflection of our assurance position across our services, critical systems, governance processes, ICT arrangements, key projects and risk analysis.

The findings show that 71% of all areas assessed demonstrated high levels of assurance. The remaining areas, 29%, were assessed as amber in nature; highlighting known issues that, if not sufficiently addressed, could have a negative impact on Council operations. For 2016/17, the ratings were 55% green, 39% amber and 6% red, so an improved position has been reported.

During 2017/18 one of the main aims of the Council was to shift into delivery mode to meet the objectives of the Corporate Plan. This is evidenced by the significant and detailed work that has been undertaken to support regeneration and economic development across the District. Partnerships and delivery vehicles have been created to assist the Council in this regard. This focus has necessitated the Council to review its governance decision-making processes to ensure they do not hinder progress or lead to missed opportunities (in a fast moving environment) yet remain sufficiently robust to provide sufficient levels of assurance for Members, officers and residents.

Focus has also been placed on ensuring the Council has sufficient capacity and capability to deliver, with restructures taking place at Director and Team Manager levels.

Service delivery has also remained a priority. Emphasis has successfully been placed on improving performance and customer satisfaction in a number of service areas including Local Land Charges and Development Management. .

Overall Assurance Status 2017/18

Red 0% Amber 29% Green 71% Unknown 0%
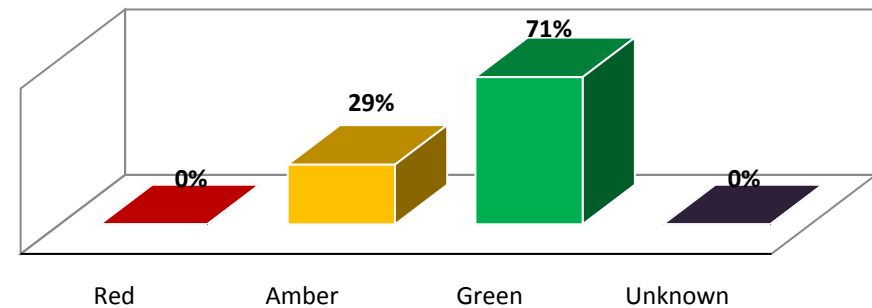
Overall Assurance Status 2016/17

Red 6% Amber 39% Green 55% Unknown 0%
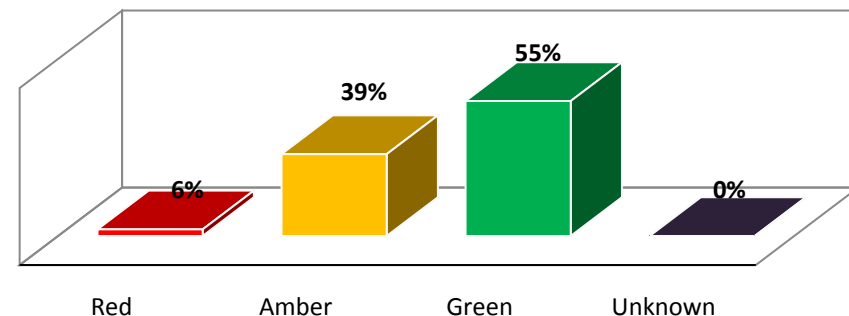
Suggested next steps……

Review of Statutory Returns

The Council is required to submit to various government bodies, a wide range of statistical and performance related information in the form of statutory returns. These are provided across a range of Council activity. There is no clear corporate oversight of their submission, their usefulness and accuracy. Hence a piece of work is in development to delve further into this.

Oversight of Third Party Arrangements

The Council is involved in a number of joint venture arrangements and is also a joint shareholder in two companies. It is key that the Council's governance arrangements incorporate oversight and scrutiny of the business plans and operations of these bodies to ensure they are performing well and their values are compatible with those of the Council.

Enforcement Related Services

A restructure of this area and recruitment to provide additional capacity has been completed within the past 12 months. The effectiveness of the new arrangements has to remain in focus to provide assurance that the anticipated improvements in service delivery are realised.

Implementation of the Wellbeing Service

Following a procurement and tendering exercise, the Council has been successful in being chosen to deliver a strand of the service to support vulnerable adults to maintain their independence and wellbeing, therefore preventing the escalation of need and reducing demand on Hospital and Adult Social Care. This service commences on 1st April 2018. The Council must ensure its implementation is closely monitored, partnership working arrangements are effective and the intended outcomes for users of the service are achieved.
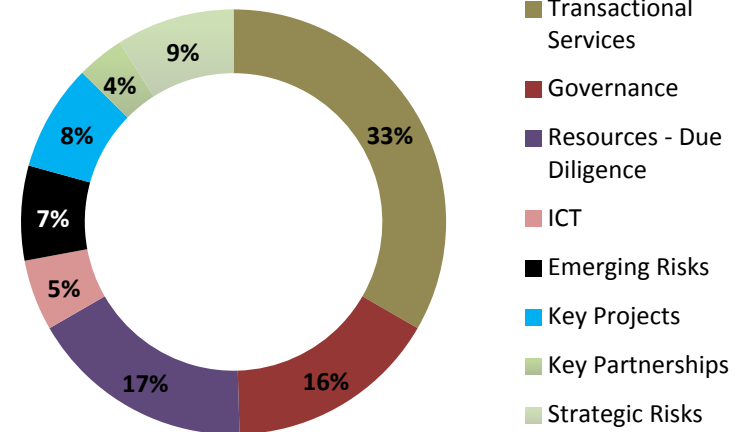
Critical Systems

The critical systems that form the scope of the report are detailed on the accompanying chart. They include transactional services, governance, resources, ICT, emerging risks, key projects, key partnerships and the Council's strategic risks.
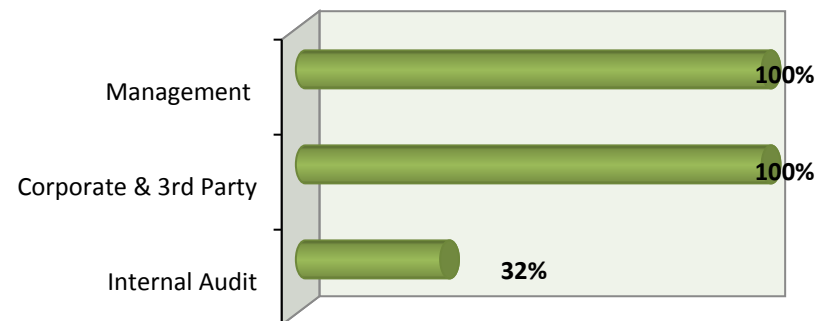
Across this range of aspects, we are in agreement with the reported levels of assurance. As reported earlier, 71% of our critical systems were assessed as displaying high levels of assurance, with 29% assessed as requiring some form of attention. In respect of any areas categorised as 'amber' in nature, the Council were in a position to demonstrate their current awareness of the need for specific focus to be applied to remedy issues and plans were already in place or were in the process of being devised. In appropriate circumstances, the Council utilises external reviews and audit support to assist in identifying the root cause of issues and remedial actions. This balance is evidenced by the analysis of who provides our assurance.

The Council adopts the Three Lines of Assurance Model, with team management and corporate support playing a crucial role in demonstrating effective accountability for delivery and understanding the overall effectiveness of service delivery within their remit.

Effective performance and risk management are key disciplines required to ensure delivery remains at a high standard. Greater use of benchmarking is an objective for the Council to promote continual improvement and ensure value for money.
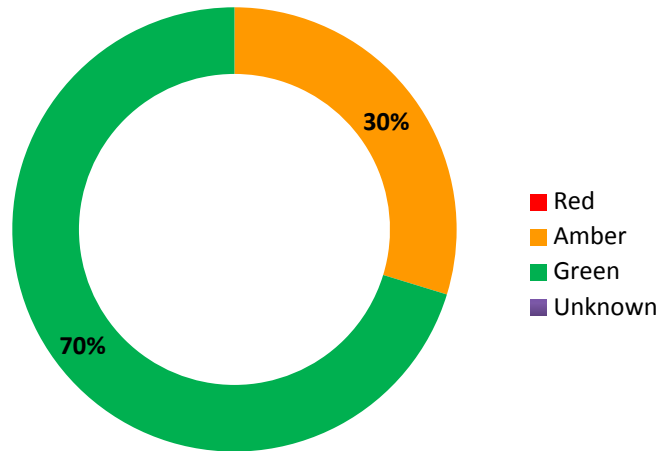

Legend:
- Transactional Services — 33%
- Governance — 16%
- Resources - Due Diligence — 17%
- ICT — 5%
- Emerging Risks — 7%
- Key Projects — 8%
- Key Partnerships — 4%
- Strategic Risks — 9%

Who Provides Your Assurance

- Management — 100%
- Corporate & 3rd Party — 100%
- Internal Audit — 32%

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.

Our transactional services are in the main 'front-facing' and the delivery of excellent performance and high levels of customer satisfaction are key pre-requisites. These two components contribute in a large part to the reputation of the Council amongst residents and Members.

Analysis of the report's findings in respect of transactional services has established that our overall assessment remains almost the same as in 2016/17, with 70% of our transactional services assessed as performing highly. No service has

suffered a worsening in their assessment during the year and no area has been assessed as 'red' in nature.

The number of transactional services assessed within the report has grown since last year's report with the inclusion of new areas such as Health & Wellbeing, Vulnerable Communities and Property Investment Portfolio. Due to their newness, all were given an 'amber' rating as implementation and development plans become embedded.

Other areas assessed as 'amber' include environmental protection, external health and safety, strategic and operational property management and building control. All of these areas have new structures/management in place and the Council is cognisant of the need to closely monitor and provide support as the new arrangements settle down. Markets remains an issue, with future options still under deliberation. Community Safety/ASB was also categorised as 'amber'. A restructure has taken place within this service and an audit is due into this area, for which the Council awaits the findings.

Improved assurance ratings were provided in the areas of Land Charges, Planning Management Processes, Tourism, Traded Services, Homelessness Prevention and Car Parking. Such improvements illustrate the benefit of the Combined Assurance exercise and ensures the focus within service and business planning is on identifying means of improvement.

Governance

11%

89%

- Red
- Amber
- Green
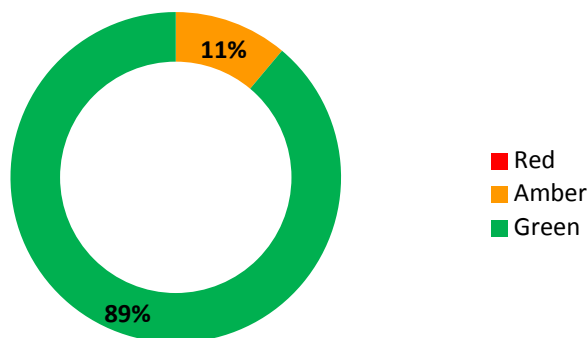
This section includes areas such as corporate governance, risk management, partnerships, projects and contract management, Human Resources and Member and Democratic Services.

During 2017/18 we were pleased to again receive from Internal Audit a 'green' rating opinion on our governance arrangements. This maintained our improvements over recent years. We aim to ensure that in a time of significant change, our governance processes and structures remain robust, yet proportionate and facilitate effective decision making.

The Council's 'Local Code of Governance' was revised during the year in line with the latest CIPFA update.

The findings show that almost 90% of our governance related elements are deemed to be working very effectively. Two areas require attention. Firstly, Progress & Delivery measures.

A limited assurance finding was reported by an audit into this area in 2017/18, with attention focused on issues pertaining to the relevance of some measures and the setting of targets and benchmarks. A review of this is underway in readiness for 2018/19. The subject of Equality & Diversity was also assessed as 'amber'. Responsibility for this area was re-assigned during 2017/18, however there has been a delay in arranging staff refresher training. This will be delivered in early 2018/19.

Improvements were identified in Partnership Management and in 2017/18 an audit looking into the Council's adoption of the 'Intelligent Client' role gave a substantial assurance rating. Similar ratings were provided by audits into Risk Management and Project Management. A consultancy report based on the Quality of Decision Making produced by Internal Audit, found governance structures ensure that Members are engaged in the process and do not create barriers or unnecessary time constraints to the process. Business cases are produced and options for the delivery of a programme or project are properly assessed and that financial and legal information and advice is obtained and decisions are challenged and scrutinised.

Work is well under-way in preparation for the implementation of the General Data Protection Regulations (GDPR) from May 2018. The Council has appointed to the role of Data Protection Officer, the project plan is closely monitored by the Corporate Information Governance Group (CIGG) and staff awareness sessions have been held.

Resources - Due Diligence

- ■ Red
- ■ Amber
- ■ Green
- ■ Unknown
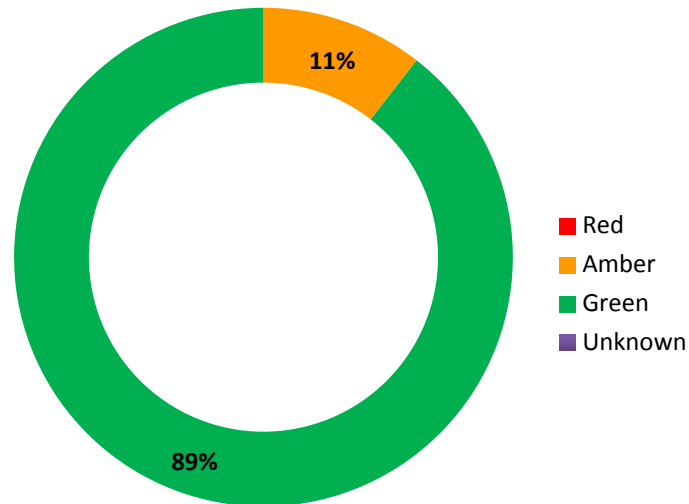
This aspect relates to the functions that support the running of the Council and ensure compliance with policies and internal Council procedures.

The findings across this section of the report are extremely encouraging. Few issues were reported in respect of the Council's arrangements for overseeing Council Tax, Business Rates, Housing Benefits, financial management controls and the governance of grants. The findings 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.

Due to statutory requirements, a number of these areas are subject to annual audits.

An 'amber' rating was reported in connection with Universal Credit. This is a developing process with the impact on resources and workloads not yet fully understood. Full roll-out of Universal Credit across West Lindsey is expected in Autumn 2018.

A further 'amber' rating was made in connection with Debtors. The Council has an objective to increase its trading and commercial opportunities; the latest being the introduction of a charge for green waste collections. While processes are currently operating well, the impact on the capacity of the Debtors team to meet future demand has to be closely monitored.

In 2017/18, audits into Non-National Domestic Rates (business rates), Bank Reconciliation and Key Controls all reported findings of substantial assurance.

ICT

17%

83%

- Red
- Amber
- Green
- Unknown
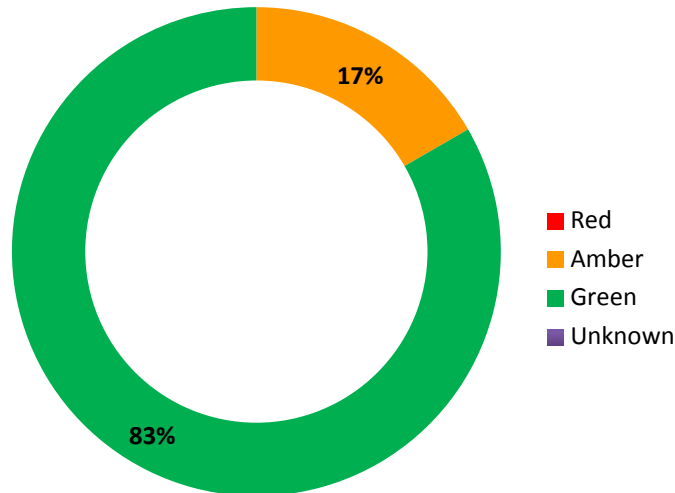
The ICT aspect of the report focuses on governance arrangements within the service, the infrastructure, day to day operations, projects, compliance and applications and systems.

This year's findings show an improvement on last year's report with over 80% of elements providing a high level of assurance, compared with 67% last year.

Compliance was categorised as 'amber' due to concerns relating to software licensing and PCI DSS compliance (which concerns the security and data flows relating to the receipt and processing of card payments). The latter area was

audited late in 2016/17 and provided a limited assurance finding. Actions have been undertaken to remedy the issues that were identified and a follow-up audit is due. During the Council's business planning exercise, software licensing was raised as an area requiring investment. Further analysis and business cases are now awaited from the ICT Manager.

An audit was undertaken in 2017/18 into the ICT partnership arrangements the Council has with North Kesteven District Council. This found that arrangements were working effectively, but suggested that a focus now needs to be placed on the future strategic direction of the partnership and how this can mutually benefit both parties.

Work on the production of the Council's Digital and ICT Strategy has continued. SOCITM feedback on the draft strategy they reviewed during the year has been acted upon, with the Council now recognising the need for greater emphasis and integration into the strategy of digital considerations. Further consultancy support has been commissioned to provide objective analysis and expert input. The lack of a formal strategy has not compromised the Council's ICT function.

ICT security and information governance remain key areas and are fully supported by the Council. No major security breaches or successful attacks on ICT systems were reported during 2017/18. Any learning from publicised attacks on other organisations has been taken on-board.

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Emerging Risks

- 🟥 Red
- 🟧 Amber
- 🟩 Green
- 🟪 Unknown

100%
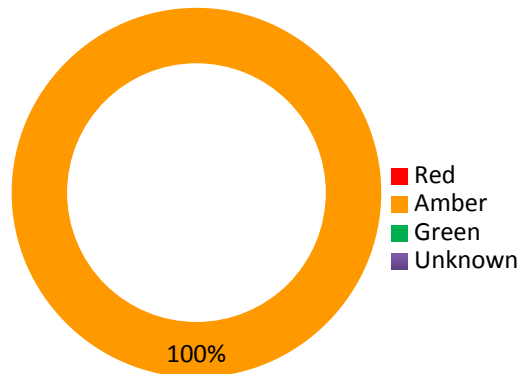
This element of the report was introduced last year and assess the Council's appreciation, across all service areas, of potential future issues that may arise if not adequately mitigated or planned for at an early stage. During periods of uncertainty or significant change, it is imperative that due consideration is paid to the risks associated with planned or potential events.

A number of emerging risks were identified among service areas as part of the exercise. All were deemed to be amber in nature, meaning that their potential impact and likelihood were not of critical proportions. They included a mixture of externally generated risks (future legislative change for example) and internally generated risks, such as implementation of new processes or concerns associated with capacity/capability. The risks raised within the Report were

discussed by Management Team with a significant proportion of them determined to be operational in nature and therefore assigned to the respective service risk registers.

The Council has a Risk Strategy in place (2016-2018) which is to be refreshed during 2017/18. This provides overarching guidance on the Council's approach to risk management, details the Council's risk appetite, identifies levels of responsibility and accountability and sets out the processes in place to support on-going appraisal of risks.

Internal audit reported a 'substantial assurance' rating in their Risk Management audit report in 2017/18. Risk management is now undertaken effectively across the Council and encompasses the consideration of strategic risks, operational risks and programme and project based risks. All service areas maintain their own risk registers to record and manage their risks and the Council's project management methodology allows for the recording and management of risks associated with project development and delivery.

The Council's strategic risks are managed by the Management Team and are presented to the Governance & Audit Committee on a bi-annual basis for review and comment.

The Council is a member of the Lincolnshire Risk Managers Group. This forum provides the opportunity to share best practice and discuss the prevailing climate which councils operate in and the associated risks.

Key Projects

33%

67%

■ Red
■ Amber
■ Green
■ Unknown
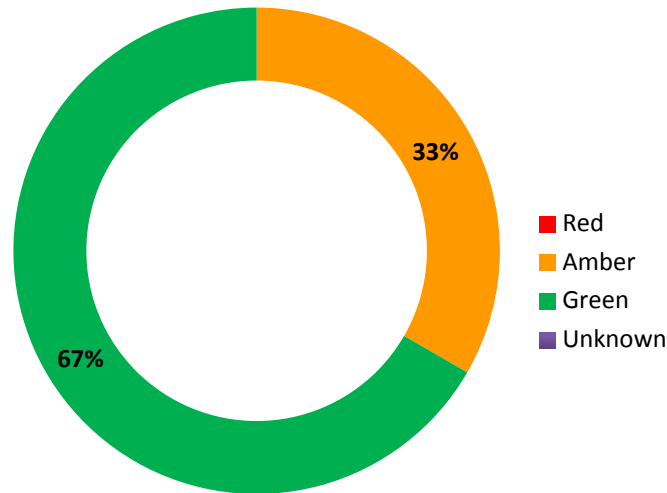
To oversee the development, delivery and review of the effectiveness of key programmes and projects which support delivery of the Corporate Plan, the Council, has formed a Programme Board. This is comprised of the Directors and key officers. It meets on a monthly basis and receives reports and updates relating to new initiatives, progress on delivery of existing projects, benefits realisation reports and considers interdependencies and any resourcing/capacity issues. Reporting to Members on the delivery of key programmes of work is provided through quarterly reports for the main policy committees.

During the course of compiling the Combined Assurance Report, officers were asked to identify the key projects the Council is involved with. Of these, three were categorised as warranting an 'amber' rating, with the remaining six deemed to be fully on track. When required, the Council buys-in additional capacity and expert technical knowledge to support delivery.

During 2017/18, Internal Audit conducted an audit into the Council's project management processes. This provided a substantial assurance rating. It recognised the degree of support in place for the Council's key programmes of work, however highlighted a recognised issue relating to weaknesses in maintaining oversight and appropriate governance of smaller scale projects delivered at an individual officer or service area level. To address this, steps are in place to recruit additional capacity and project management expertise to ensure such projects are developed and delivered in line with the Council's methodology.

To provide further support for programme and project management, agreement has been obtained from Management Team to explore options relating to the possible procurement of a project management system.

Key Partnerships
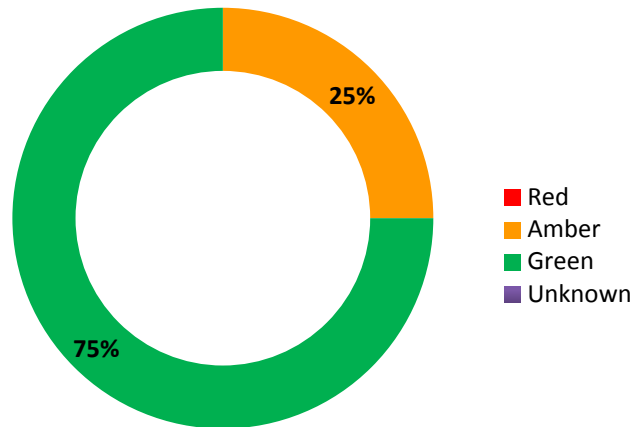
Ensuring effective partnership working is a key concern for the Council. It is recognised that to achieve its goals, the Council must enter into key strategic partnerships and work jointly to achieve mutually beneficial objectives. Assessments of the on-going relevance and effectiveness of partnerships must therefore be undertaken. This is an issue raised within the Council's Annual Governance Statement and a programme of work is in place to strengthen matters.

During 2017/18 the Council has formed a number of key partnerships to support the delivery of regeneration and economic growth. A process is also in place to identify a major development partner to take forward ambitions related to the economic growth of Gainsborough over the next 20 years or so. A joint venture has also been created to support

improvements in the retail sector in Gainsborough. The formation of appropriate governance structures for such arrangements has been a focus for the Council, with expert legal advice sought where necessary.

Key partnerships are also in place to support aspects such as ICT delivery (audited in 2017/18), the delivery of the Central Lincolnshire Local Plan and waste operations. These are deemed to be working effectively. One area of concern relates to the partnership in place which oversees the Choice Based Lettings Service. An audit report into this area reported limited assurance and highlighted known issues. The findings were useful however, in that they raised the profile of the issues across the partners. This has led to a better state of affairs, as evidenced by a follow-up audit, which reported a much improved position and has supported the Council in its decision making with respect to its future involvement in the partnership.

The Council's understanding and application of the concept of the 'Intelligent Client' was audited in 2017/18. For the Council to achieve its objectives, it is important that the outputs required from partnership arrangements for the Council to achieve its objectives are completely and effectively delivered, and good value for money is achieved. To ensure this the Council must act as an Intelligent Client in its relationship with its partners. The audit provided a 'substantial assurance' finding, demonstrating that the Council fulfils its obligations effectively in this regard.

Strategic Risks

- Red
- Amber
- Green
- Unknown

40%

60%
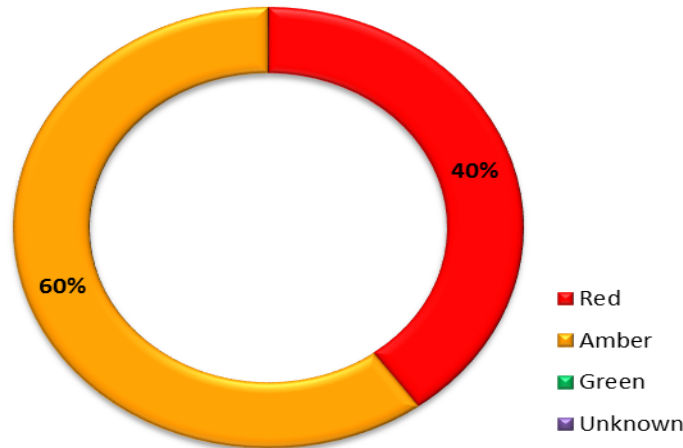
Strategic Risks are reviewed and managed by the Council's Management Team (comprising of the Directors and Strategic Leads), with ownership of each individual strategic risk assigned to the appropriate Director. The content of the strategic risk register is based around the risks associated with the delivery of the themes contained within the Council's Corporate Plan, plus a number of additional risks such as Information Governance and Corporate Health & Safety. This approach is advocated by the Association of Local Authority Risk Managers (ALARM) who advise that strategic risks should focus on the long-term objectives of the organisation, which can be affected by areas such as financial concerns, political risks, legal and regulatory changes and changes in the physical environment.

The Management Team are risk aware and as a minimum review the strategic risk register on a quarterly basis. Each risk is assessed against the scoring matrix (used for assessing all categories of risk) set out below, which calculates the level of the risk (high – red, medium - amber) or low - green.) Existing mitigations are identified and consideration is paid to the need for additional mitigations.

Scoring Matrix

I m p a c t	Critical	4	8	12	16
	Major	3	6	9	12
	Minor	2	4	6	8
	Negligible	1	2	3	4
		Hardly Ever	Possible	Probable	Almost Certain
		Likelihood			

The Council's Governance & Audit Committee receive bi-annual updates on the content of the strategic risk register and are asked to provide appropriate scrutiny. This Committee contains the Council's 'Member Risk Champion'.

Key Risks

Strategic Risks

The Council's highest rated strategic risks are:

Information Governance

Protection from cyber-attack and/or data leakage is a significant risk to all organisations. We must therefore ensure that our defences are as strong as possible and staff, Members and partners are aware of their responsibilities. On-going monitoring of developments in this area, training and awareness and vigilance on the part of all, are a major part of the mitigating actions. Work to ensure the smooth implementation of GDPR from May 2018 is a key action to be progressed.

Open for Business

The achievement of sustainable growth across the District and resilience in the business sector is a key objective of the Council's Corporate Plan. The risks to achieving this are varied in nature and emanate from many sources. The Council must be vigilante and sensitive to external factors and ensure that the District is seen as and becomes a more attractive and supportive place for business to thrive.

Corporate Health & Safety

The health, well-being and safety of staff, visitors and users of Council facilities is of upmost importance. The impact and consequences of a serious incident due to negligence on the part of the Council are extremely serious. The Council must therefore ensure that the safety of all is maintained and existing controls and processes are regularly monitored to assess their on-going effectiveness.

Commercial Approach

For the Council to successfully meet its financial challenges it has embarked upon a journey of generating additional sustainable revenue streams from commercial sources. These need to be properly evaluated and the Council must be able to act in an agile manner to take appropriate opportunities as they arise.