

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Chief Executive and Town Clerk

to

**Audit Committee**

on

**30 March 2011**

Report prepared by: Linda Everard, Head of Internal Audit

---

**Managing the Business.  
How do we get assurance?**

---

***A Part 1 Public Agenda Item***

---

## **1. Purpose of Report**

- 1.1 To update the Audit Committee on the Council's approach to obtaining on-going assurance that it is managing the business in the most efficient and cost effective way.

## **2. Recommendation**

- 2.1 **That the Audit Committee approves the approach outlined (the 'Assurance Framework') for gaining assurance the Council is managing the business effectively.**

## **3. What do we mean by 'managing the business'?**

- 3.1 As the Council is aware any organisation, in any sector, to be successful needs to effectively manage its business so that it does the right thing, for the right people, in the right way at the right time.

- 3.2 Managing the business therefore requires the Council to:

- know what its client base wants
- be clear what it is going to do to meet those needs
- ensure it has the financial and other resources to achieve this
- ensure every person in the organisation is clear how they contribute and has the skills to deliver the tasks required of them
- understand whether it is on track to achieve what it needs to.

- 3.3 Effective management of the business is in large part achieved through the application of key corporate business management processes as outlined in **Appendix 1.**

3.4 Gaining assurance that key corporate business management processes are being applied as required should not be labour-intensive or an exercise in itself. If services are applying the processes as they should be, providing evidence to demonstrate this should be readily available and a minimal burden on staff.

3.5 The Council therefore needs to ensure:

- there is clarity about what evidence provides assurance the processes are working; and
- this evidence is easily produced as 'business as usual' so that the assurance framework is cost-effective, proportionate and actively supports the achievement of objectives.

#### **4. Why is this more important than ever?**

4.1 The substantial reductions in funding received from government are having a major impact on the level and manner of service provision and also across the public sector, increasing the potential risk of service failure or fraud.

4.2 The Council will receive significantly less assurance from external sources following:

- the abolition of the Comprehensive Area Assessment, (in particular, the Use of Resources assessment) and the annual performance assessment of adult social care and children's services, which have provided significant assurance of:
  - the Council's performance in these areas compared to national good practice guidance
  - other public sector partners arrangements who were subject to the same regime.
- the abolition of the National Indicator Set to be replaced by a 'single data list' from April 2011 which also helped benchmark service delivery.

4.3 Therefore, internally-generated sources of assurance are going to significantly increase in importance as key indicators as to whether the Council is managing its business effectively.

#### **5. How are we doing this?**

5.1 A summary of the key elements of the Council's current approach for gaining assurance that it is managing its business effectively is outlined in **Appendix 2**. This takes account of documents that the Council is required to produce.

5.2 With regard to items 2 and 4 of the framework, the approach adopted has been to:

- map key elements of each business management process at either a corporate (Assurance Statement) or operational level (Manager Assurance Statement); and then
- check to a very limited degree, that the actions (controls) described are being delivered.

- 5.3 Again, this is on the basis that if services are applying them as they should be, the evidence to prove that should be readily available therefore minimising the burden on staff.
- 5.4 In delivering this framework:
- Council remains ultimately responsible for maintaining sound business management arrangements / systems of internal control (i.e. governance arrangements)
  - Cabinet is responsible for approving all policy including that relating to the Council's business management processes
  - the Audit Committee is responsible for obtaining sufficient evidence throughout the year to satisfy itself that the Council's business management arrangements / systems of internal control operate effectively. It has delegated authority from Council to fulfil this role and to act as "those charged with governance" for audit purposes.
- 5.5 Adopting this approach will enable the Council to maximise the evidence that its business management arrangements are sound whilst minimising the burden on service departments.

## 6. So what needs to happen?

- 6.1 There is a need to enhance the Council's current arrangements for gaining ongoing evidence that its business management processes remain appropriate. This is to compensate for the lack of independent assurance previously provided by external audit in these areas.
- 6.2 The two areas to be reviewed are the:
- **Annual Corporate Assurance Statement** that will set out the key actions required to ensure that the corporately agreed approach is:
    - fit for purpose and periodically reviewed / updated
    - approved by appropriate officer and member groups
    - monitored in terms of its delivery.
  - **Manager Assurance Statement** that will set out the key actions that we expect **all** group managers / heads of service to take in managing their services.
- 6.3 Whilst the design of the overall assurance framework has always been sound, there is a need to:
- make clearer links between the policies, strategies or approaches developed and agreed in these areas by Corporate Management Team and the actions to be relied upon / questions asked
  - be far more specific and consistent in identifying the key actions at both levels that the Council will look to place reliance on in future

- clarify up front the evidence required to demonstrate that the key actions specified have been delivered.
- 6.4 Action is being taken separately to further develop the corporate risk register and the assurances it contains that identified, mitigating controls are operating as designed.
- 6.5 More weight will also be given to documenting and understanding the assurance regarding business management arrangements, provided from other independent sources. This includes building on the Local Governments Group's emerging "self regulation and improvement" framework which will provide:
- a peer challenge system to help assess strengths and weaknesses
  - a Local Assessment tool to obtain a shared assessment of current performance
  - a "Knowledge Hub" to provide a comprehensive store of data enabling benchmarking of cost and performance information.
- 6.6 Along with:
- commissioning other targeted peer reviews
  - undertaking service specific reviews using external accreditation such as Customer Service Excellence, QUEST (quality accreditation for sports centres / developments) and EMAS (the Eco-Management and Audit Scheme)
  - Investors in People
  - Equality Framework for Local Government
  - feedback from residents and other who review Council's performance and other information as part of promoting the "transparency agenda".
- 6.7 Internal Audit will review these statements (this evidence) and the Council's risk management arrangements more robustly in future.

## **7. Corporate Implications**

### **7.1 Contribution to Council's Aims and Priorities**

Operating good governance arrangements helps ensure that the Council's Aims and Priorities will be delivered.

### **7.2 Financial Implications**

The assurance framework is designed to minimise additional time spent by officers reporting on the arrangements and maximise the assurance gained from properly implementing the individual business management processes and systems of internal control.

### 7.3 Legal Implications

The Council is required to produce an Annual Governance Statement and in doing so comply with proper practice. For this purpose, proper practice is set out in CIPFA guidance - background papers below. The proposals enable the Council to comply with these requirements.

### 7.4 People and Property Implications

None.

### 7.5 Consultation

None.

### 7.6 Equalities Impact Assessment

None.

### 7.7 Risk Assessment

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities won't be delivered.

### 7.8 Value for Money

None.

### 7.9 Community Safety Implications and Environmental Impact

None.

## 8 Background papers:

- Accounts and Audit Regulations 2003
- Accounts and Audit (Amendment) (England) Regulations 2006
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities.
- The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.
- Code of Practice on Local Authority Accounting in the UK - A Statement of Recommended Practice

- Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code)
- the Role of the Head of Internal Audit in Local Government (draft 2010)
- Audit Committee Practical Guidance for Local Authorities
- A toolkit for Local Authority Audit Committee

## **9 Appendices**

- Appendix 1: Key Business Management Processes (Governance Arrangements)
- Appendix 2: Key Elements of the Current Assurance Framework

**KEY BUSINESS MANAGEMENT PROCESSES (GOVERNANCE ARRANGEMENTS)**

The list is not exhaustive. Those selected for this purpose are processes that most services would apply on an ongoing basis rather than when a specific need applies e.g. recruiting staff. These processes would be risk assessed and reviewed on a cyclical basis.

Note each key business process can assist in managing the business in more than one way. For example, performance management helps manage the business as a whole and individual staff through appraisals. Therefore, it is included under Managing Performance and Managing People.

# Managing the Business

<p style="text-align: center;"><b><u>MANAGING CUSTOMERS</u></b></p> <ul style="list-style-type: none"> <li>• Community Engagement</li> <li>• Customer Satisfaction (performance management)</li> <li>• Complaints, Compliments and Comments</li> </ul>	<p style="text-align: center;"><b><u>MANAGING PERFORMANCE</u></b></p> <ul style="list-style-type: none"> <li>• Legislative Framework and Committee Structure</li> <li>• Business Strategy and Planning</li> <li>• Policy Framework</li> <li>• Performance Management and Data Quality</li> <li>• Risk Management</li> <li>• Project Management</li> <li>• Information Management</li> <li>• Partnerships</li> </ul>
<p style="text-align: center;"><b><u>MANAGING PEOPLE</u></b></p> <ul style="list-style-type: none"> <li>• Codes of Conduct for Members and Staff</li> <li>• Staff Appraisal system (performance management)</li> <li>• Sickness Absence (performance management)</li> <li>• Health and Safety (risk management)</li> </ul>	<p style="text-align: center;"><b><u>MANAGING RESOURCES</u></b></p> <ul style="list-style-type: none"> <li>• Financial Reporting including Budgetary Control and Treasury Management</li> <li>• Asset Management</li> <li>• Procurement</li> <li>• Value for Money</li> <li>• Anti-Fraud &amp; Corruption and Whistleblowing (risk management)</li> <li>• Business Continuity (risk management)</li> </ul>

## KEY INTERNAL ACTIVITIES FROM THE CURRENT ASSURANCE FRAMEWORK

	WHEN REPORTED TO THE AUDIT COMMITTEE	WHICH FINANCIAL YEAR	DOCUMENT / ACTIVITY
1	March	Coming	Local Code of Governance
2	March	Coming	Annual Assurance Statement  Setting out the corporate senior officer and member level arrangements for ensuring these processes are both fit for purpose and being applied throughout the year.
3	Ongoing	In year	Corporate Risk Management Arrangements  Including an assessment of how assurance is obtained that the controls identified are operating as stated.
4	June	Previous	Annual Manager Assurance Statements  Covering the application of these processes at service level.
5	June	Previous	Head of Internal Audit Annual report  Including the annual assessment of internal audit performance.
6	June	Previous	Annual Third Party Assurance Statements (or equivalent) from key partners and contractors.  In some form, outlining any control risks highlighted from this information
7	June	Previous	Audit Committee Annual Report
8	June	Previous	Annual Governance Statement
9	June / September	Previous	Financial Statements
10	January	In year	Half yearly progress reports on implementing actions arising from any of the above.