Report to:	Audit and Governance Committee	Date of Meeting:	Wednesday 22 June 2022
Subject:	Assurance Framework		
Report of:	Executive Director of Corporate Resources and Customer Services	Wards Affected:	(All Wards);
Portfolio:	Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt / Confidential Report:	No		

Summary:

A Sefton Assurance Framework has been formally defined which is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect. The framework as a result should help to ensure that the Council's Strategic Objectives are achieved.

The sources of assurance are split between being received by the Cabinet and the Audit and Governance Committee. There is an agreed work plan for the Audit and Governance Committtee which ensures that the assurance is provided on a timely basis to the Committee.

The benefits of this approach are:
- Provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues;
- Facilitates escalation of risk and control issues requiring visibility and attention by senior management, by providing a cohesive and comprehensive view of assurance across the risk environment;
- Provides an opportunity to identify gaps in assurance needs that are vital to the organisation, and to plug them (including using internal audit) in a timely, efficient and effective manner;
- Can be used to raise within the organisation understanding of its risk profile, and strengthen accountability and clarity of ownership of controls and assurance thereon, avoiding duplication or overlap;
- Provides critical supporting evidence for the production of the Annual Governance Statement;
- Can clarify, rationalise and consolidate multiple assurance inputs, providing greater oversight of assurance activities for the Cabinet/Audit & Governance Committee in line with the risk appetite; and Facilitates better use of assurance skills and resources

The development of an Assurance Framework is part of the Council's risk management arrangements and Members should as a result see clearly the key processes and the control environment as well as being clear what the key sources of assurance are.

Further work is required alongside the Assurance Framework to help further embed risk management by the potential introduction of the three lines of defence model and the assurance mapping across the Assurance Framework (using the three lines of defence model). These two activities can help in the future to ensure that Annual Internal Audit plans have a refined focus on providing assurance on key controls used to manage the strategic risks as well as being clear on the level of assurance that is provided by management.

Recommendation(s):

(1) Members are requested to approve the proposed Assurance Framework for the Council

Reasons for the Recommendation(s):

Introduction of an Assurance Framework will help to further embed risk management by providing a transparency and a purpose for the assurance that is provided to Cabinet and Audit and Governance Committee

Alternative Options Considered and Rejected: (including any Risk Implications)

None.

What will it cost and how will it be financed?

(A)   Revenue Costs – No revenue costs with the proposal.

(B)   Capital Costs – No capital costs involved with the proposal

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): There are no resource implications	
Legal Implications: There are no legal implications.	
Equality Implications: There are no equality implications.	
Climate Emergency Implications: The recommendations within this report will	
Have a positive impact	Y

Have a neutral impact	N
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

The proposal will help to ensure that the Climate Emergency response by the Council is delivered by ensuring that firstly key assurances are provided to Cabinet on progress of implementing key actions to address climate change. In addition, there is a risk on Climate Change in the Corporate Risk Register the planned future Assurance Mapping linked to the introduction of the three lines of defence model will identify in a methodical manner how assurance is provided on the controls used to mitigate the risk from the various lines of defence.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: Positive
Facilitate confident and resilient communities: Positive
Commission, broker and provide core services: Positive
Place – leadership and influencer: Positive
Drivers of change and reform: Positive
Facilitate sustainable economic prosperity: Positive
Greater income for social investment: Positive
Cleaner Greener: Positive

What consultations have taken place on the proposals and when?

(A)   Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6824/22) and the Chief Legal and Democratic Officer (LD.5024/22) have been consulted and any comments have been incorporated into the report.

(B)   External Consultations

None

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer:	David Eden
Telephone Number:	0151 9340 4053
Email Address:	david.eden@sefton.gov.uk

Appendices:

The following appendices are attached to this report:

- Proposed Sefton Council Assurance framework

Background Papers:

There are no background papers available for inspection.

1.   Introduction

1.1   The HM Treasury Guidance on Assurance Frameworks (2012) defines an assurance framework as: is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect'.

1.2   The Assurance Framework represents the total arrangements in place for managing a Council's assurances and not just an output produced for Cabinet or Committee.

1.3   The Assurance Framework can provide evidence-based assurances on the management of risks that threaten the successful achievement of the Council's strategic objectives and, in turn, report on these to Members and other stakeholders.

1.4   The benefits of this approach are:

- Provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues.
- Facilitates escalation of risk and control issues requiring visibility and attention by senior management, by providing a cohesive and comprehensive view of assurance across the risk environment.
- Provides an opportunity to identify gaps in assurance needs that are vital to the organisation, and to plug them (including using internal audit) in a timely, efficient and effective manner.
- Can be used to raise within the organisation understanding of its risk profile, and strengthen accountability and clarity of ownership of controls and assurance thereon, avoiding duplication or overlap.
- Provides critical supporting evidence for the production of the Annual Governance Statement.
- Can clarify, rationalise and consolidate multiple assurance inputs, providing greater oversight of assurance activities for the Cabinet/Audit & Governance Committee in line with the risk appetite; and
- Facilitates better use of assurance skills and resources

1.5   Other work that is required to fully embed the Assurance Framework involve Assurance Mapping which involves a mechanism for linking assurances from various sources to the risks that threaten the achievement of an organisation's outcomes and objectives. They can be at various levels, dependent upon the scope of the mapping.   Internal Audit have over the last two years developed Assurance Mapping primarily looking at external sources of assurance to build into the Chief Internal Auditors Opinion and identify areas of the Council's activities which we could rely on this assurance. This has been used to see if Internal Audit activity is required if there is existing ongoing assurance activity. Over the next 12 months we intend to move this to look also at the key risks and identify how assurance is provided on the mitigation of the risk through the three lines of defence model.

1.6   The other piece of work to be considered is the introduction of the three lines of defence model. HM Treasury define this "as assurance can come from many sources within an organisation. A concept for helping to identify and understand the different contributions the various sources can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. For example, management assurances could be harnessed to provide coverage of routine operations, with internal audit activity targeted at riskier or more complex areas."

1.7   The three lines of defence are categorised as:
- First line of defence - front-line' or business operational area e.g., cleansing
- Second line of defence -oversight of management activity. It is separate from those responsible for delivery, but not independent of the organisation's management chain e.g., Finance, Health and Safety.
- Third line of Defence - independent and more objective assurance and focuses on the role of internal audit or other specialised assurance providers for example ISO, Ofsted.

2.   Assurance Framework

2.1   The draft Sefton Assurance Framework has been designed taking into account the guidance available and is found at Appendix A. The draft Sefton Assurance Framework includes assurance from the following areas:
- External Audit
- Internal Audit
- Risk Management
- Governance
- Management Assurance
- Operational Management
- Project Management
- Financial Control

2.2   For the Audit and Governance Committee there is already an annual workplan that details the work that will be provided to the Committee to consider including internal audit, external audit, risk management, governance and financial control (where appropriate).