



AUDIT COMMITTEE – 14TH DECEMBER 2016

SUBJECT: ASSURANCE FRAMEWORK

REPORT BY: INTERNAL AUDIT MANAGER

1. PURPOSE OF REPORT

- 1.1 To present the Audit Committee with a draft assurance framework and to provide details of the purpose and structure of the framework.
- 1.2 To invite comments from Members of the Audit Committee on the draft framework.

2. SUMMARY

- 2.1 In August 2016 the Wales Audit Office (WAO) issued a report on its review of arrangements within Caerphilly CBC to address external audit, inspection and regulation recommendations and proposals for improvement.
- 2.2 The WAO report contained a number of proposals for improvement, one of which was the following: -

The Council should develop an assurance framework that sets out how it obtains assurance in relation to key risks from across the organisation.

- 2.3 A draft assurance framework has now been prepared and is appended to this report for the Audit Committee to consider and comment upon.

3. LINKS TO STRATEGY

- 3.1 Strong corporate governance arrangements are an essential element of ensuring that the Council's key priorities are effectively delivered and this in turn contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

4. THE REPORT

- 4.1 The development of an assurance framework for the Authority was identified as a proposal for improvement within the recent WAO report "Review of Arrangements to Address External Audit, Inspection and Regulation Recommendations and Proposals for Improvement – Caerphilly CBC".

- 4.2 The draft assurance framework attached as Appendix 1 is a diagrammatical representation of the various sources of assurance which the Audit Committee can draw upon when considering the strength and appropriateness of the Council's governance or assurance arrangements.
- 4.3 The draft framework has been shared with the Corporate Governance Panel and the Corporate Management Team and is based on a concept called the Three Lines of Defence. This is an auditing and risk management model which sets out the responsibilities of the various parties in respect of risk mitigation and assurance.
- 4.4 The model is designed on two levels with Level 1 being the main summary diagram showing the headline areas that make up the three Lines of Defence. Level 2 provides further details of the specific contribution that the individual components at Level 1 provide to the overall assurance landscape.
- 4.5 The Level 1 summary diagram depicts the lines of defence working out from the centre. The first line of defence incorporates the functions that own and manage risk. The second line of defence covers the various risk management and compliance oversight functions established by management, with independent assurance being the third line of defence.
- 4.6 Although the model indicates a distinct separation between the functions, in reality there has to be co-ordination and an appropriate sharing of knowledge and information to assist all the functions in better accomplishing their roles in an efficient manner.
- 4.7 The detail provided at Level 2 is to give Members of the Audit Committee a fuller understanding of the types of assurance that can be obtained and the wide range of sources of assurance that contribute to the corporate governance process.
- 4.8 As mentioned earlier, the Corporate Governance Panel has been consulted on the structure and content of the assurance framework. The framework needs to be a live document that is adaptable to changing circumstances and with this in mind it is intended that the Corporate Governance Panel will keep the framework under regular review to ensure that it remains relevant and up-to-date. The Audit Committee will be updated in respect of any changes to the Assurance Framework

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Strong corporate governance arrangements are a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

7. FINANCIAL IMPLICATIONS

- 7.1 There are no direct financial implications arising from this report.

8. PERSONNEL IMPLICATIONS

- 8.1 There are no direct personnel implications arising from this report.

9. CONSULTATIONS

9.1 There are no consultation responses that have not been included in this report.

10. RECOMMENDATIONS

10.1 The Audit Committee is asked: -

10.1.1 To consider and comment upon the draft assurance framework.

10.1.2 To agree that the Corporate Governance Panel will be responsible for keeping the assurance framework under regular review to ensure that it remains relevant and up-to-date.

10.1.3 To note that the Audit Committee will be updated in respect of any changes to the Assurance Framework.

11. REASONS FOR THE RECOMMENDATIONS

11.1 To ensure that the Audit Committee is provided with an opportunity to consider the draft assurance framework and the proposed arrangements for keeping the framework under review.

12. STATUTORY POWER

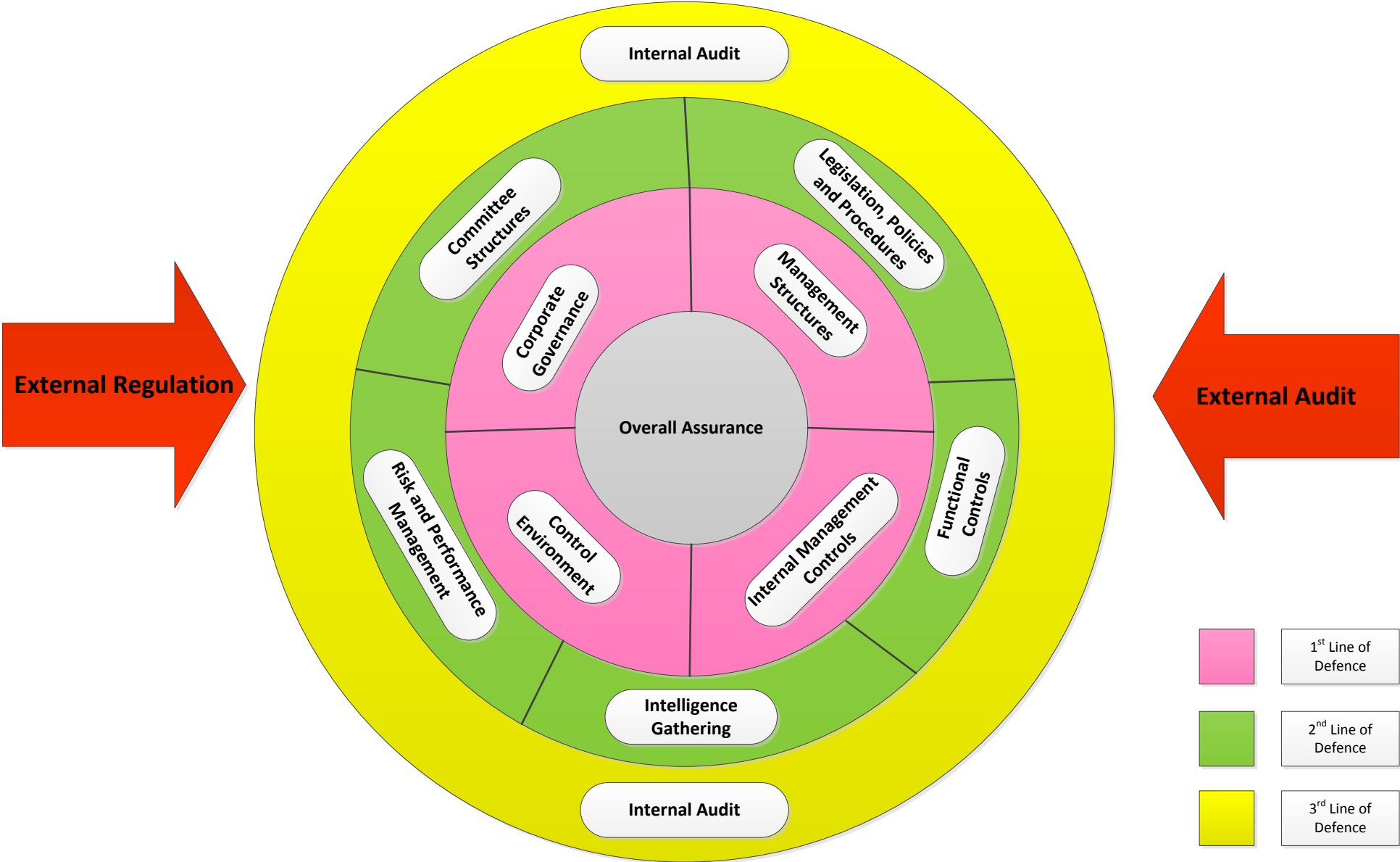
12.1 The Local Government Act 1972.

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Corporate Governance Panel
Corporate Management Team

Background Papers:
Cabinet Report (19/10/16) – WAO Review of Arrangements to Address External Audit, Inspection and Regulation Recommendations and Proposals for Improvement – Caerphilly CBC.

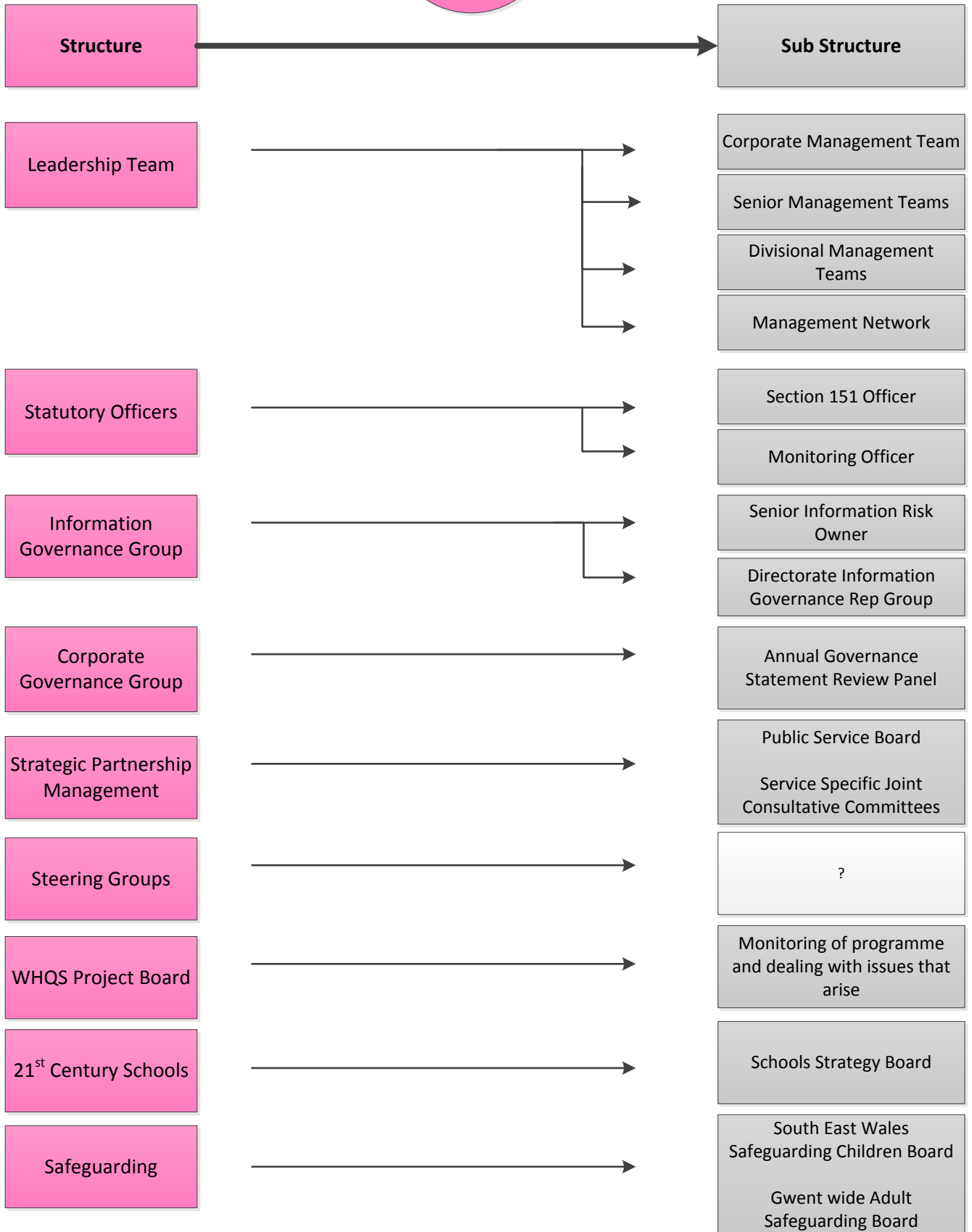
Appendices:
Appendix 1 Draft Assurance Framework

Corporate Governance and Assurance Framework



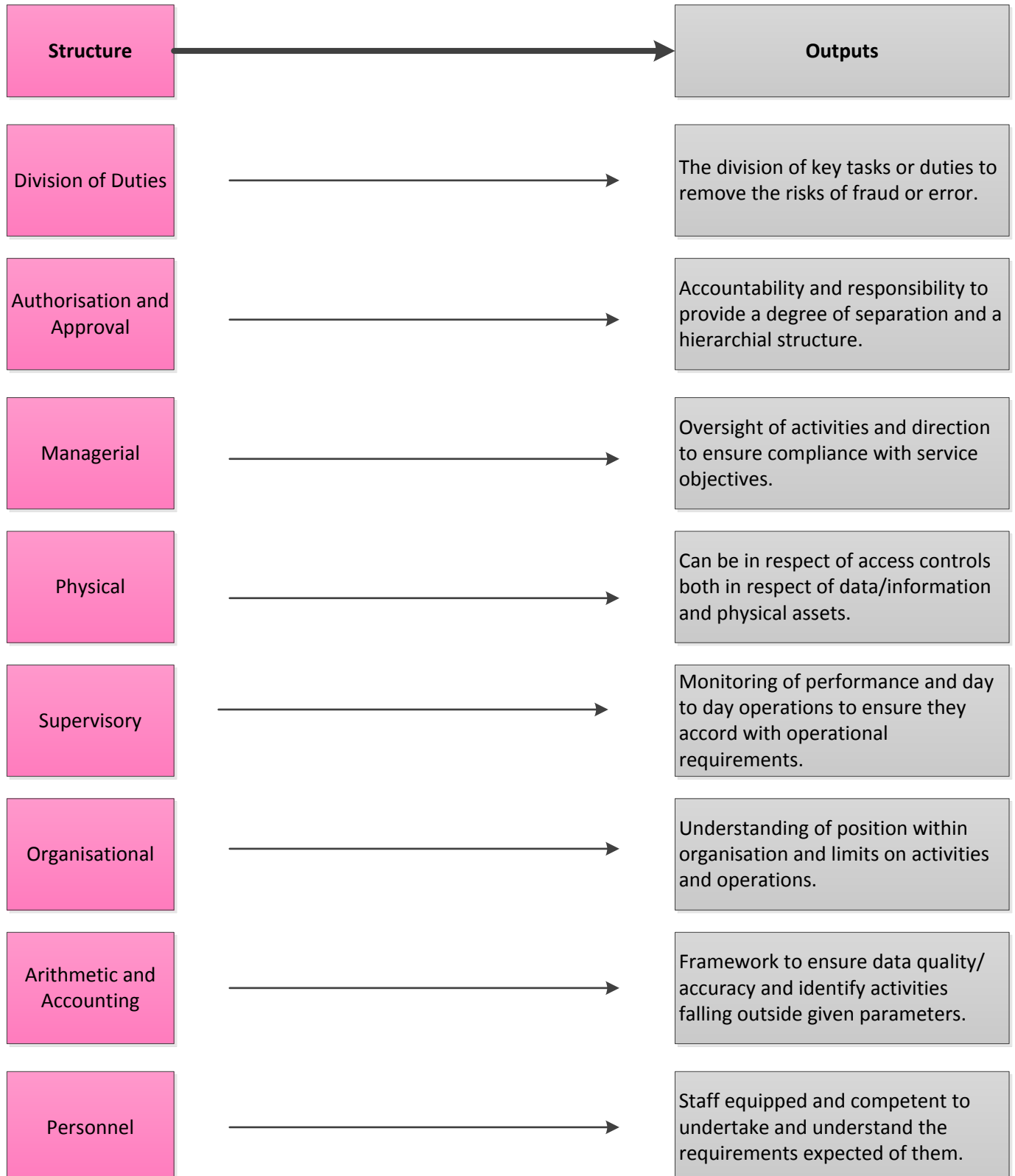
Corporate Governance and Assurance Framework

Management Structures



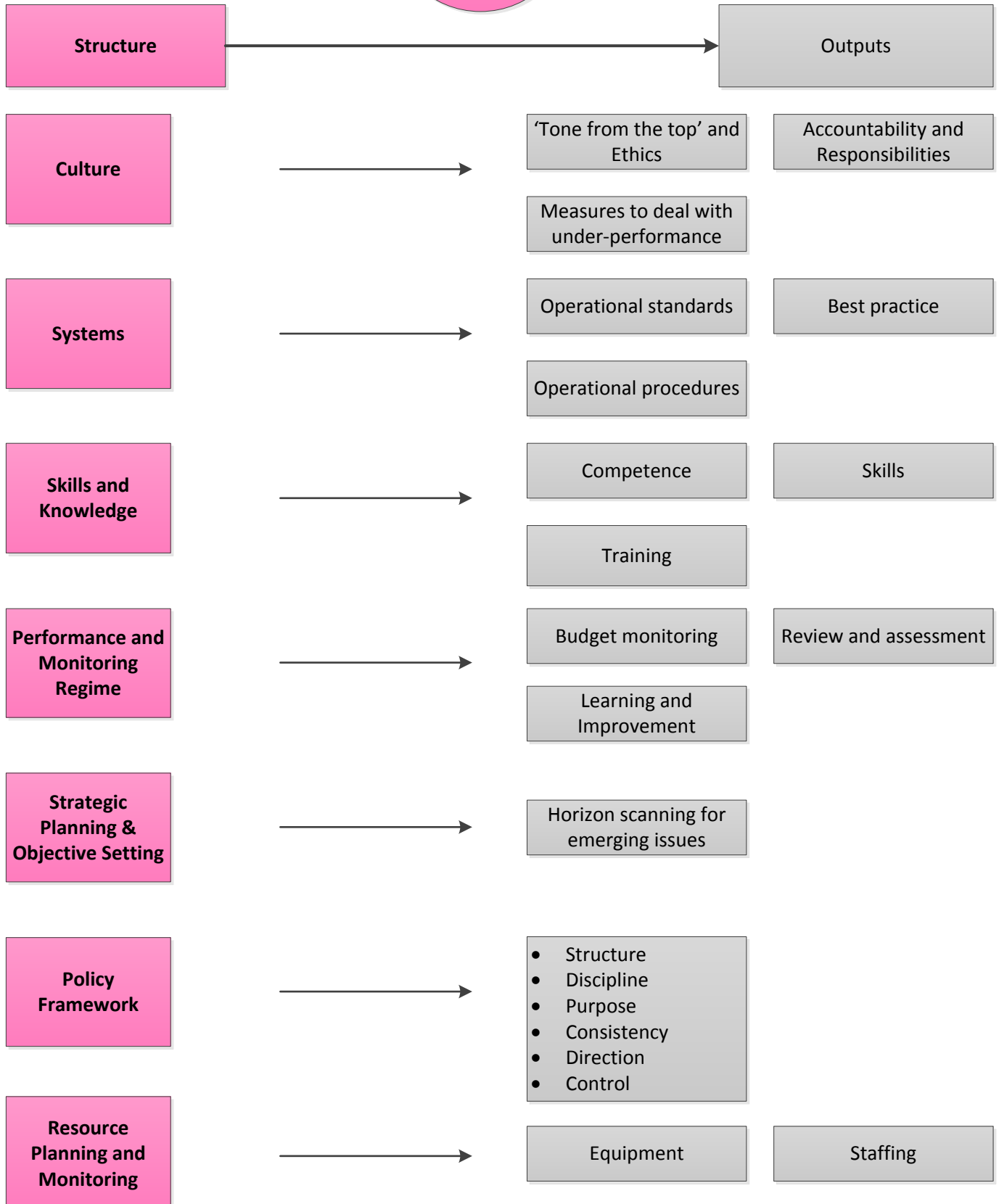
Corporate Governance and Assurance Framework

Internal Management Controls



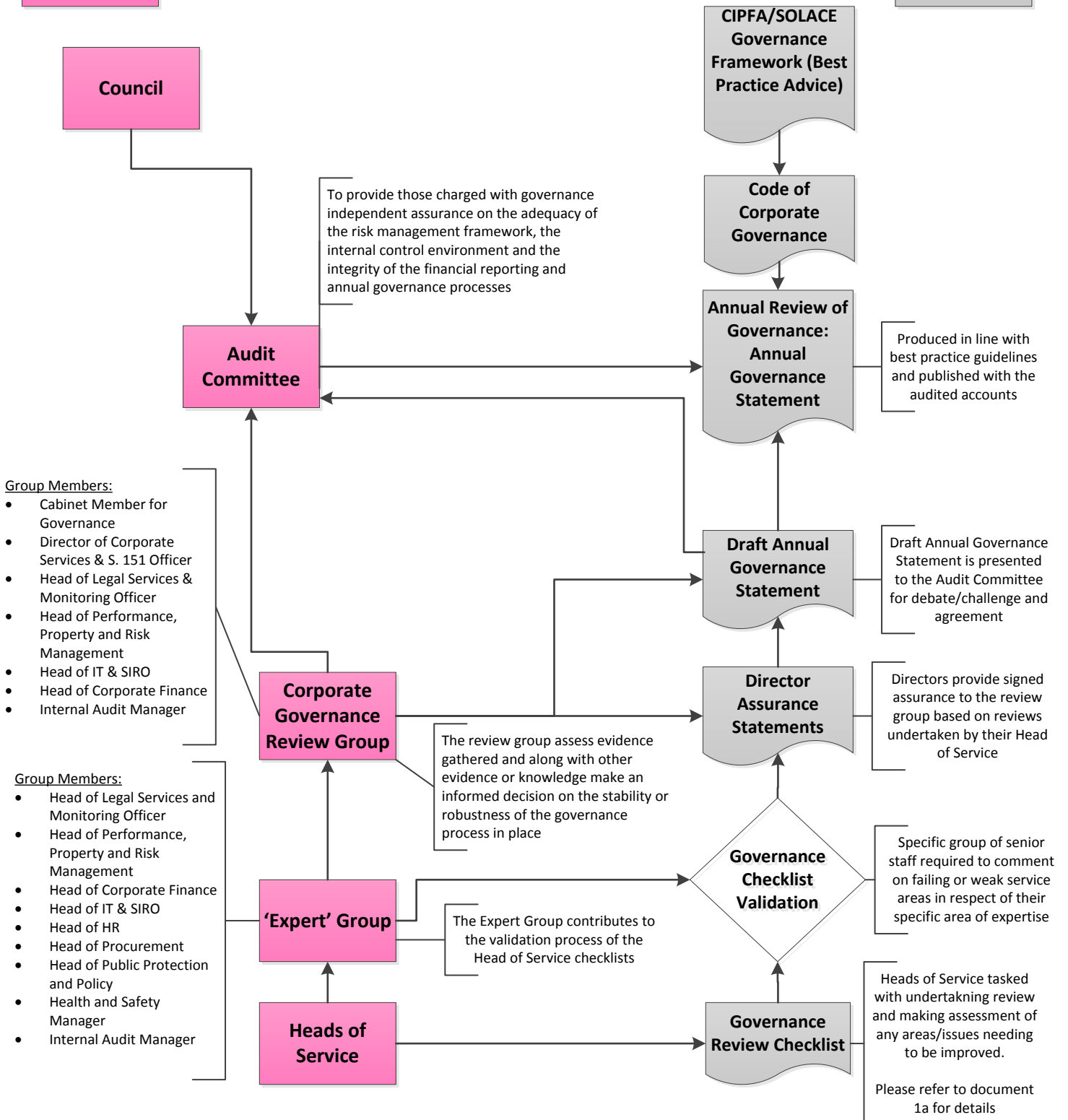
Corporate Governance and Assurance Framework

Control Environment



Corporate Governance and Assurance Framework

Corporate Governance



Governance Review Checklists (Document 1a)

Subject Area	Area of Review
Information Management	Freedom of Information Data Protection Information Security Record Management
Asset Management	Asset Registers Inventory
Financial Management	Budget Controls Income and Expenditure Controls
Business Planning and Performance Improvement	Service Improvement Planning Performance Development Project Management Partnership and Collaboration
Data Quality	Financial and Performance Data Collection and Reporting Data Security
Communications	Customer Care Customer Feedback Team Briefing
External Review	Implementation of Review Recommendations
Internal Control	Delegated Powers and Decision Making Financial Regulations Standing Orders
Risk Management	Risk Assessment Business Continuity Planning Health and Safety Safeguarding
Value for Money	Procurement HR Resources Value for Money Strategy
Probity	Codes of Conduct Whistleblowing Anti-fraud and Corruption Money Laundering Regulation of Investigatory Powers Act

Corporate Governance and Assurance Framework

**Legislation,
Policies and
Procedures**

Structure

Outputs

Legislation

Overarching framework for delivery of national aims and objectives

Corporate Strategies

High Level prioritisation of objectives and direction of travel

**Internal Policy Framework
(Document 1b)**

- Structure
- Discipline
- Purpose
- Consistency
- Direction
- Control

Procedures

Drivers for continuous improvement and resilience to continue to deliver services

Corporate Governance and Assurance Framework

Functional Controls

Structure

Outputs

Legal and Governance

A legal governance framework that protects the authority from unlawful or inappropriate decision making.

Risk Management

Robust identification control, monitoring and response to business risks.

Performance Management

Performance of the authority is managed and maintained, and agreed priorities and standards are delivered.

HR Management

A competent and engaged staff resource is in place.

IT Management

Safeguarding data and continuity of services to enable delivery.

H&S Management

Ensuring compliance with statutory requirements and monitoring the H&S welfare of all staff and contractors etc.

Financial Management

Financial security and resilience.

Corporate Governance and Assurance Framework

Intelligence Gathering

Structure

Outputs

Public Consultation Protocol

Complaints Analysis

Customer Feedback

Youth Forum

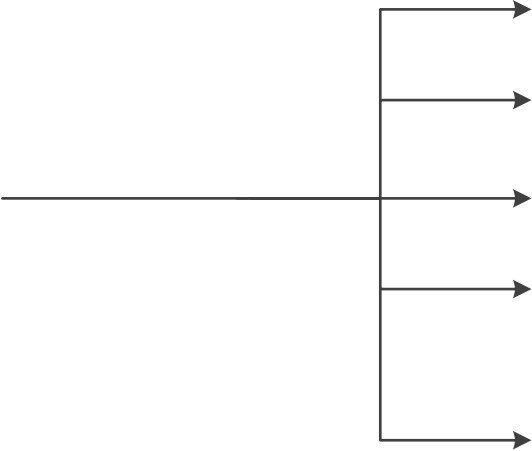
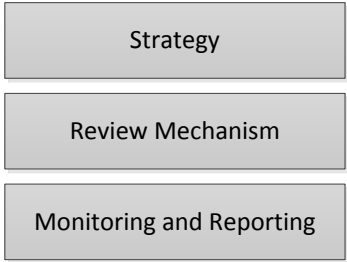
Focus Groups

Staff Engagement

Member Feedback

- Validation
- Insight
- Knowledge
- Confidence
- Identification of problem areas
- Challenge
- Identification of good and bad practice
- Perception gaps

Corporate Governance and Assurance Framework



Corporate Governance and Assurance Framework

Committee Structures

Structure

Sub Structure

Full Council

Cabinet

Scrutiny Committees

Regulatory Committees

Advisory Committees

Education for Life

Health, Social Care and Well-being

Policy and Resources

Regeneration and Environment

Appeals

Appointments

Audit

Democratic Services

Licensing

Standards

Licensing and Gambling Sub committee

Planning

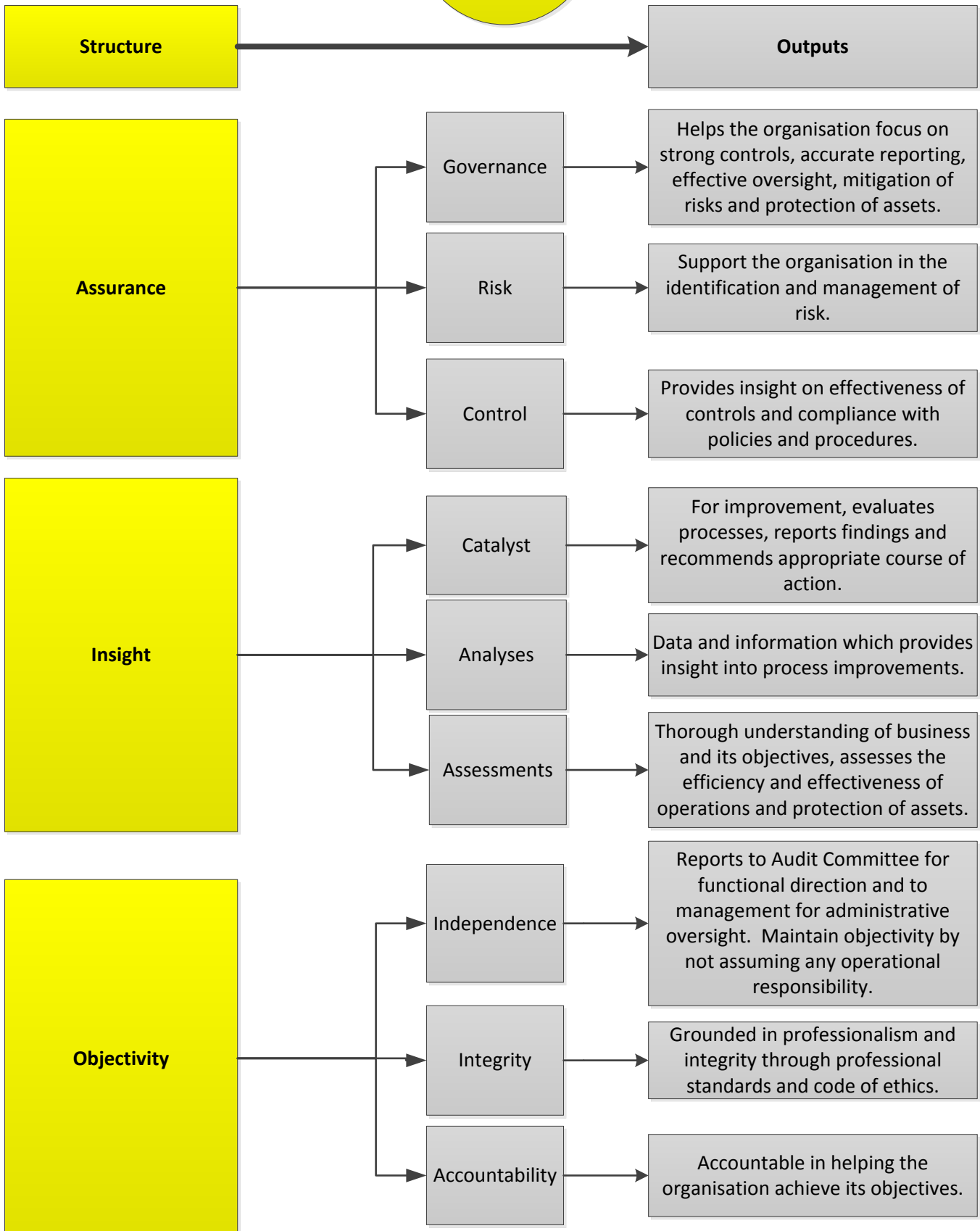
Licensing sub committee (Taxi and General)

Caerphilly Standing Advisory Council on Religious Education

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Corporate Governance and Assurance Framework

Internal Audit



Corporate Governance and Assurance Framework

External
Regulation and
Inspection

Structure

Outputs

Other Assurance
Providers

Welsh
Government

Information
Commissioner

Wales Audit
Office

IT Resilience
Testing

Ombudsman

VOSA

External Audit

BSI

Grant Funders

PCI

CSSIW

Estyn

Regulation of
Investigatory
Powers Act

Provides an element of
assurance/confidence
by report on
compliance,
performance and best
practice

Advisory Services

Financial
Advisors

Insurance
Advisors

Specialist
Consultants

Networking and
Benchmarking

Advisory Reports

Health and Safety

H&S Executive

Reports on
performance and
compliance

Quality Audits

BSI

Catering

Reports on
performance and
compliance