

**Report to: AUDIT COMMITTEE**

**Report of: Assistant Director, Audit & Risk Management**

**Date of Meeting: 29 November 2021**

**Subject: Corporate Assurance Framework**

**Wards Affected: All**

**1. Purpose of Report**

- 1.1. A Corporate assurance framework has been developed to improve oversight and prepare an evidence base for the key sources of assurance that are relied on to manage risks and as a result support in the achievement of organisational strategic objectives.

**2. Recommendations**

- 2.1. To note the development of a Corporate Assurance Framework and the ongoing work through its stages of maturity.

### **3. Background**

- 3.1 An assurance framework is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect
- 3.2 The corporate assurance framework describes the 3 lines of defence methodology and informs the Council where its evidence is for good governance and risk management.
- 3.3 Assurance is the bedrock of evidence that gives confidence that risk is being controlled effectively, or conversely, highlights that certain controls are ineffective or there are gaps that need to be addressed.
- 3.4 There is a process underway for each service to map its sources of assurance against the 3 lines of defence. Identifying areas where assurance activities are not present, or are insufficient (assurance gaps).
- 3.5 The next stage in the process will be to interpret the results by assessing how robust the source of assurance is, whether it is positive or negative and whether it is proportionate to the risk.

### **4. Legal and Resource Implications**

- 4.1 The work is completed within approved budgets.

### **5. Risk Management & Equality Impact Assessment Issues**

- 5.1 The Corporate Assurance Framework underpins the risk management process by ensuring that there is an effective and comprehensive process in place to identify, understand, monitor and address current and future risks.
- 5.2 The Council's risk management framework has been Equality Impact Assessed and was found to have no adverse impacts.

### **6. Compliance Issues**

- 6.1 The Council's continued maturity in assurance mapping will complement the development and delivery of the Council's objectives.

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# Birmingham City Council Corporate Assurance Framework



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# 1. Introduction

## 1.1 Purpose of the Assurance Framework

Assurance is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes of the organization.

The aim of this document is to set out how Birmingham City Council uses a range of sources of assurance available to ensure the Council is performing and how its governance, control and risk arrangements are managed.

## 1.2 What is an Assurance Framework

An Assurance Framework is a set of systems, processes and protocols designed to provide an evidence-based and independent assessment of the governance, risk management, and control processes of an organisation.

The Assurance Framework enables the Council to monitor, measure and scrutinise how well objectives are being met and risks managed. It also implements processes to ensure an adequate response if risks or performance are perceived to be unacceptable.

There are significant benefits to improved co-ordination of assurance. Fundamental to these is the provision of streamlined and synchronised information on organisational performance and the management of associated risks, helping the organisation to operate efficiently and effectively

More specifically, an effective assurance framework

- 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 organisational 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 CLT and Audit Committee in line with the risk appetite; and
- Facilitates better use of assurance skills and resources

## 2. Three Lines of Defence

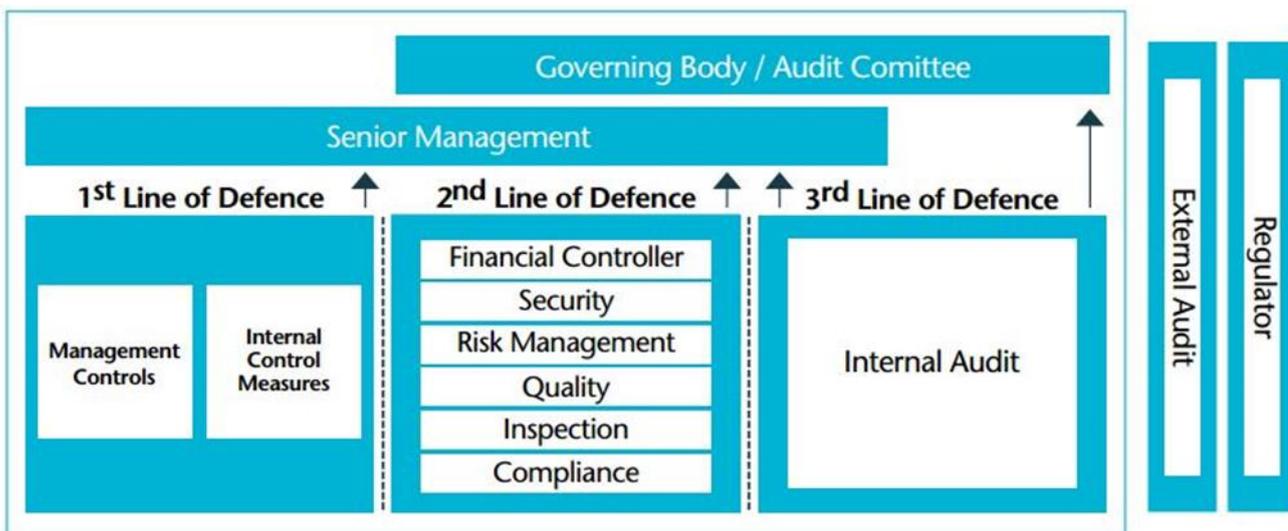
2.1 Assurance can come from many sources within an organisation. A concept for helping to identify and understand the different contributions the various sources can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how 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.

This Framework is the umbrella document for each director to supplement with local sources of assurance for their areas of accountability. Good governance and associated assurance activities should cascade through the organisation, proportional to the risks.

2.2 It is likely to be helpful to adopt a common assurance “language” or set of definitions across the three lines to ease understanding, for example, in defining what is an acceptable level of control or a significant control weakness. Appendix A lists the major governance areas (i.e. the arrangements, including political, economic, social, environmental, administrative systems, policies and processes, legal and other arrangements put in place, to ensure that the intended outcomes for stakeholders are defined and achieved) where assurance would be expected, and identifies the appropriate supporting evidence.

### What is the Three Lines of Defence model?

The IIA and the Institute of Directors endorse the 'Three Lines of Defence' model as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:



## First line

2.3 Within the 'front-line' or business operational areas, there will be many arrangements established that can be used to derive assurance on how well objectives are being met and risks managed; for example, good policy and performance data, monitoring statistics, risk registers, reports on the routine system controls and other management information.

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### Activities supporting 1<sup>st</sup> Line

The annual assurance process (see Appendix B) provides positive assurance and identifies significant issues for monitoring.

Accountability letters signed

Performance monitoring.

Strategic and directorate risk registers

Corporate PMO reporting

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### Nature of assurance

2.4 This comes direct from those accountable for delivering specific objectives or operation; it provides assurance that performance is monitored, risks identified and addressed, and objectives are being achieved. This type of assurance may lack independence and objectivity, but its value is that it comes from those who know the business, culture and day-to-day challenges.

## Second line

2.5 This work is associated with oversight of management activity. It is separate from those responsible for delivery, but not independent of the organisation's management chain. This could typically include compliance assessments or reviews carried out to determine that policy or quality arrangements are being met in line with expectations for specific areas of risk across the organisation; for example, purchase to pay systems, health and safety, information assurance, security and the delivery of key strategic objectives. Statutory Officers Group has a specific role in ensuring compliance with statutory responsibilities.

2.6 The developing discipline of Portfolio / Programme Management may be of particular use in supporting the second line regarding the assurance of major business change. Portfolio Management aims to provide a co-ordinated approach to enable the most effective balance of organisational change and business as usual. It seeks to take a strategic viewpoint, focused on key issues, to build on and better co-ordinate existing processes such as strategic planning, investment appraisal and project and programme management.

### Nature of assurance

2.7 The assurance provides valuable management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It will be distinct from and more objective than first line assurance.

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## Activities supporting 2<sup>nd</sup> Line

Compliance monitoring e.g. mandatory training, purchase orders  
Health & Safety function / inspections  
Overview & Scrutiny  
Audit Committee  
Information Assurance Boards  
Star Chambers  
CC-GCG  
Capital Board  
Programme governance inc CWG, Transformation  
Employment Governance Group  
Procurement Board

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## Third line

2.8 This relates to independent and more objective assurance and focuses on the role of internal audit, which carries out a programme of work specifically designed to provide the S151 Officer with an independent and objective opinion on the framework of governance, risk management and control. Internal audit will place reliance upon assurance mechanisms in the first and second lines of defence, where possible, to enable it to direct its resources most effectively, on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements. It may also take assurance from other independent assurance providers operating in the third line, such as those provided by independent regulators, for example.

2.9 Other sources of independent assurance available external system accreditation reviews/certification (e.g. ISO/Risk Management Accreditation Document Sets), European Commission Auditors and HMRC.

2.10 As an additional line of assurance, sitting outside of the internal assurance framework and the Three Lines of Defence model, are external auditors, who are external to the organisation with a statutory responsibility for certification audit of the financial statements. It is important that internal audit and external audit work effectively together to the maximum benefit of the organisation and in line with international standards<sup>3</sup>.

## Nature of assurance

2.11 Independent of the first and second lines of defence. Internal audit operates to professional and ethical standards in carrying out its work, independent of the management line and associated responsibilities. External audit operates similarly and reports mainly to those charged with governance (Audit Committee).

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### **Activities supporting 3<sup>rd</sup> Line**

Birmingham Audit

European Auditors

ISO accreditation

Independent regulators

External Audit (Grant Thornton)

External peer review

Specific independent Project reviews / consultancies

Budget sufficiency review (CIPFA)

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### **3. Reporting**

- 3.1. CLT and Audit Committee will need to ensure that they are receiving sufficient and timely assurance information on the management of risk to enable them to exercise good oversight. This is currently monthly at CLT and Quarterly at Audit Committee. EMT have received updates on an annual basis and Cabinet members review the updates that are submitted by Risk Owners.
- 3.2. Each Cabinet Member is invited to Audit Committee on an annual cycle to an Assurance Session for their portfolio. There is an Annual Report from the Chair of Audit Committee to Full Council.
- 3.3. The Annual Governance Statement is a key feature of the Council's annual reporting and Accounts. It covers the organisation's corporate governance, risk management and internal control arrangements. The AGS incorporates an evaluation on how well the arrangements have operated in practice.
- 3.4. Next steps involve assurance mapping, initially using Annex C to identify gaps or where evidence is out of date or lacks relevance.

## Annex A – Key Corporate Assurance Areas

GOVERNANCE AREA	DEFINITION	EVIDENCE / SOURCE OF ASSURANCE
Roles and Responsibilities	The Council is clear about the roles and responsibility of Members to plan, run, monitor and develop Council business, and Officers to effectively deliver Council Services and optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.	<p>Training and <a href="#">officer training</a> completed on roles and responsibilities</p> <p><a href="#">Constitution</a> reviewed twice a year to ensure roles and responsibilities are clear</p> <p>Effective Member induction programme</p> <p>Effective <a href="#">Officer induction programme</a> (HR)</p>
ICT Infrastructure and Digital Strategy	The Council has an ICT transformation programme, and will develop efficient, effective systems and technology to support delivery of services.	Digital Strategy
Legal Framework	The Council has a legal framework (Constitution, Policy & Procedures) which sets out the rules and procedures that are to be followed by Members and Officers. This details how the Council will utilise its powers to the benefit of the community, whilst observing the requirements of legislation and general responsibilities placed on it.	<p><a href="#">Constitution</a> reviewed twice a year to ensure roles and responsibilities are clear</p> <p>Annual Code of Conduct training for Members</p> <p>Overview of Constitution and ‘decision making’ for Members and Officers</p> <p>Effective and transparent decision making – orderly meetings, decision on forward plan etc. MO reviews this and bring paper to CLT and CBM on regular basis</p>
Shared Values	The Council will ensure that its values are embedded within Council Policies and Procedures and that there is an expectation that those who work with the Council will respect these.	

<p><b>Effective Policies, Strategies and Procedures</b></p>	<p>The Council will maintain an effective Policy Framework and identify the key policies to ensure effective delivery of the Councils objectives.</p>	
<p><b>Decision Making and Evidence and Delegations of Duties</b></p>	<p>The Council will effectively evidence and record decisions made in connection with the discharge of its functions and publish those appropriately.</p>	<p>MO to do a bi-monthly audit to ensure there is evidence and record decisions made in connection with the discharge of its functions and publish those appropriately.</p>
<p><b>Scrutiny Arrangements</b></p>	<p>The Council will maintain Scrutiny arrangements as part of its system of governance to ensure constructive challenge and debate on policies, performance and decision making</p>	<p>Annual review of the scrutiny framework (See <a href="#">Scrutiny Business Report</a> to Council)</p> <p>Regular review by MO of scrutiny work plan</p>
<p><b>Internal Audit</b></p>	<p>The Council will maintain an effective internal audit function in line with the Public Sector Internal Audit Standards</p>	<p><a href="#">Internal Audit Charter</a> (see <i>Birmingham Audit Annual Report</i>)</p> <p><a href="#">Peer Review</a> (see report on <i>Public Sector Internal Audit Standards</i>)</p>
<p><b>Conduct</b></p>	<p>Officers and members will behave in line with the Nolan principles and lead a culture of acting in the public interest</p>	<p>An effective <a href="#">Member Code of Conduct</a></p> <p>Regular training for Members on code of conduct</p> <p><a href="#">Staff Code of Conduct</a></p>
<p><b>Audit Committee</b></p>	<p>The Council will maintain an effective Audit and Risk Committee that reflects the political composition of the council, which operates in compliance with CIFPA guidance</p>	<p>Audit Committee Terms of Reference (<a href="#">Section B14 of the Constitution</a>)</p> <p>Effectiveness Review (see report on <a href="#">Audit Committee – Future Ways of Working</a>)</p> <p><a href="#">Chair’s Annual Report to Full Council</a></p>
<p><b>Declaration of Interests</b></p>	<p>The Council will maintain registers of interests for both members and officers. The register documents interests which may be seen to potentially unethically or unlawfully influence individual’s duties.</p>	<p><a href="#">Member declarations</a> published</p> <p>Training provided for members on declaration of interest</p> <p>Process to remind members to update register with FAQ’s</p> <p>Officer declarations maintained locally when deemed appropriate</p>

<b>Member &amp; Officer Induction, Training &amp; Development</b>	<p>The Council will ensure that Members and Officers receive induction training to assist them in effectively executing their duties. The Council will ensure that members are offered, and</p> <p>officers receive continued professional development and other appropriate training to ensure they maintain their skills and knowledge.</p>	<p>A member development training plan</p>
<b>Gifts and Hospitality</b>	<p>The Council will maintain registers of gifts and hospitality for Members and Officers to ensure that appropriate safeguards are in place.</p>	<p>Gifts and Hospitality Policy Member declarations</p>
<b>Workforce Plan</b>	<p>The Council manages its workforce to ensure that the organisation has an adequate supply of people with the skills, knowledge and experience required to achieve its strategic</p> <p>objectives efficiently and effectively, both in the short and long term.</p>	<p>Workforce Strategy 2018 - 2022</p>
<b>Partnership Working and Shared Services</b>	<p>The Council is committed to effectively working in partnership to deliver outcomes as it recognises the benefits of partnership and collaborative working.</p>	

<b>Risk Management</b>	<p>The Council will ensure that effective risk management is embedded across the council and its decision making processes.</p>	<a href="#">Risk Management Toolkit</a>
<b>Developing and Maintaining the Corporate and Service Plans (Performance Management)</b>	<p>The Council will develop and produce its Corporate and Service Plans. The Council will ensure that effective performance management arrangements are embedded across the council and will report our performance publicly.</p>	<a href="#">Delivery Plan</a> <a href="#">Performance Monitoring Reports</a>
<b>Individual Performance Management Arrangements</b>	<p>The Council will hold individuals to account for their performance</p>	<a href="#">My Appraisal</a>
<b>Counter Fraud &amp; Corruption Arrangements</b>	<p>The Council will ensure that effective Counter Fraud and corruption arrangements are embedded across the council and will investigate suspected or identified fraud.</p>	<a href="#">Annual Fraud Report</a>
<b>Whistleblowing Arrangements</b>	<p>The Council will maintain arrangements for individuals to raise concerns and will ensure that these are acted upon</p>	<a href="#">Whistleblowing Policy</a>

<b>Effective Governance Framework</b>	The Council will maintain a Local Code of Corporate Governance and associated Assurance Framework and will review its governance arrangements periodically.	<a href="#">Annual Governance statement</a> <a href="#">Review of the constitution</a>
<b>Effective Information Governance</b>	The Council will ensure that effective information governance arrangements are embedded across the council and will investigate suspected or identified breaches.	Information Assurance Board Data Breach panel
<b>Access to Information</b>	The Council will ensure transparency by providing access to information	<a href="#">Data Factory</a> <a href="#">Open Data</a>
<b>Financial Management</b>	The Council will ensure that effective financial management arrangements are embedded across the council, which supports short, medium and long term achievement of the Councils ambitions and service provision	<a href="#">Medium Term Financial Strategy</a>
<b>Consultation and Engagement</b>	The Council will have clear channels of communication in place with the community and other stakeholders, and will define the types of issues it will consult and engage on and how we will use the feedback received.	Citizen Survey <a href="#">Be Heard</a> Implementation of a Corporate Consultation Policy (WIP)
<b>Asset Management</b>	The Council has an Asset Management Framework that ensures all of the Council's assets are compliant, sustainable, fit for purpose and support the delivery of Council services and strategic objectives.	Property Strategy Nov 18

<b>Comments, Compliments and Complaints</b>	The Council recognises feedback as an incredibly valuable resource for improving the experiences of our customers and shaping the design and delivery of our services for the future.	<a href="#">Complaints policy</a>
<b>Development Plan</b>	The Council will prepare and maintain Development Plans in accordance with legislation and national policy that sets the overall strategic direction for the City for up to the next 15 years.	<a href="#">Big City Plan</a> <a href="#">Annual Monitoring Report</a> is a public document that reports on the delivery of the Birmingham Development Plan. <a href="#">Enterprise Zone Investment Plan</a> <a href="#">Annual Public Sector Equality Duty Report</a>
<b>Inclusion and Diversity</b>	The Council recognises and values the diversity of all people and communities in the borough and in our workforce, and is committed to providing efficient, effective and relevant services to our residents and to ensuring that we are a good employer.	
<b>Programme and Project Management Methodology</b>	The Council's Programme and Project Management methodology defines and maintains standards for project management within the organisation to provide decision-making capacity to ensure the program objectives are met	Monthly reporting cycle and dashboards
<b>Health &amp; Safety</b>	The Council has a Health and Safety Policy with proactive goals, which is supported by a strategy and management framework. This seeks to ensure the risks associated with the health and safety of those engaging in Council activities are appropriately managed, regularly reviewed and investigations completed where incidents occur.	<a href="#">H&amp;S Policy</a> in place detailing roles and responsibilities
<b>Business Continuity and Emergency Planning</b>	The Council has Business Continuity and Emergency Planning processes in place to continue to provide services and respond to an emergency or incident.	Business Continuity Plan Emergency provision in the Constitution
<b>Safeguarding</b>	The Council actively promotes safeguarding to prevent harm and reduce the risk of abuse or neglect to adults with care and support needs and children	Birmingham Safeguarding Children's Partnership Birmingham Adults Safeguarding Board
<b>Procurement</b>	The Council will ensure that effective procurement arrangements are embedded to enable the Council to demonstrate good practise, compliance with legislation, realise value for money and public accountability.	Procurement Toolkit

### **Overview of Corporate Governance Assurance Process 2020/21**

The Accounts and Audit Regulations (2015) and CIPFA / SOLACE Governance Framework require the Chief Executive and the Leader to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement (AGS).

The AGS provides a brief communication regarding the review of governance that has taken place and the role of the governance structures involved. It is a high level strategic document focused on outcomes and value for money and relates to the Council's vision for Birmingham.

It also contains a review of the effectiveness of the Council's governance arrangements in relation to the core principles from the revised CIPFA / SOLACE Framework, ie:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive shareholder engagement.
- Defining outcomes in terms of sustainable, economic, social and environmental benefits.
- Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability,
- and identifies any significant governance issues and reviews sources of assurance for previous issues.

This statement is signed by the Leader and Chief Executive and is subject to review by the Council's Audit Committee.

In signing the statement, they must be satisfied that the document reflects the circumstances

of the Council. In order to support the production of the AGS, a two-stage process is being retained. This has however been streamlined and the business unit statements now link directly to the directorate statements.

The model for formulating the end of year opinion places reliance on assurance provided from other parties and processes. This enables a broader coverage and ensures that the totality of the audit, inspection and control functions deployed across the Council are properly considered, in arriving at the overall opinion / assurance given by Birmingham Audit.

### **Directorate Assurance**

Each directorate will be required to complete an Assurance Statement and provide supporting documentation (which will be subject to audit review) confirming the types and frequency of monitoring covering some or all of the following areas: -

Risk Management  
Business Planning  
Partnership / Commissioning / Alternative Delivery Vehicles  
Compliance with Key Policies / Procedures  
Project Management  
Budget / Voyager/ VFM / Resource Savings  
Internal Control Environment  
Fraud  
Independent Assurance / Internal & External Audit  
Service Delivery / Human Resources  
Information Governance

Directorates are required to provide examples of assurance processes in place to support the comments made.

### **Issues to be raised on the Assurance Statements**

There is no simple answer as to what should be included either at business unit or directorate level statements as it will differ between different parts of the Council. However, as a broad guideline, issues to be raised with the Director or Chief Executive should be issues that significantly impact on the business unit and or the directorate. They could be issues / risks that are directly related to the unit i.e. they only impact on the unit and involve no other sections. Alternatively, they could be issues / risks that impact on the business unit or directorate instigated by the actions of others outside the unit or directorate.

The AGS will be prepared by the Finance Manager, Finance & Governance Directorate, using the information supplied by directorates.

In addition, there is a requirement for the AGS to reflect the position of the Council at the date the statement is approved. This means that it is possible that issues may arise after you have signed your directorate certificates but before the AGS is formally approved. It is important that the Council has a documented process for how to deal with this. The process

to be adopted is as follows: -

- Any new issues identified by the directorates, Section 151 Officer, Monitoring Officer or Audit after the completion of the assurance process must be raised with the Chief Executive by the Section 151 officer.
- If the Chief Executive considers the matter/s to be material to the Annual Governance Statement process it will be added to the AGS or a revised version of the AGS will be produced, approved, resigned and dated if necessary (this will depend where in the authorisation process the AGS is).

### **Divisional / Business Unit Assurance**

The assurance certificate(s) from the individual divisions and business units will form the basis of supporting information for the directorate statement. The divisional / business unit form closely resembles the approach to directorate certificates. It is important that each business area complete an assurance statement. As a minimum it is the Chief Executive's expectation that all significant areas of service delivery / business units within a directorate will make a return. Directorates will need to decide for themselves which areas should complete one.

Assurance at Service Level

There are many sources of assurance that already exist that can be harnessed to provide the body of evidence required

**First line of defence**

Strategies & Business Plans

MI: Performance Management

MI: Financial Management & Reporting

Core Financial System etc. controls (e.g. Accounts Payable) Core Procurement etc. System controls (e.g. Invoice reconciliations)

Management Self Assessments and Declarations (e.g. Annual Assurance Statements)

**Second line of defence**

Governance Structures & Processes (e.g. that review and monitor performance)

Functional Compliance Reviews (e.g. Finance, Information Security)

Quality Control Checks

Internal Business Change stage/gate reviews

Customer Satisfaction

Surveys/Complaints

Corporate Risk Management/ Assurance

**Third line of defence**

External Project/Programme

Reviews (e.g. Independently commissioned)

Adjudicators/ Tribunals

External Accreditation/Certification

Strategic Partners Assurance Reports

Internal Audit Engagements