

Financial Strategy Board (FSB) 2010 – 2011 Assurance Statement and map

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Decision

FSB are asked to;

1. note that the councils business & financial planning process no longer provides guidance and information on the provision of an assurance process.
2. agree the simplified assurance process for financial risks based on assurance mapping and the risk registers.
3. agree the assurance map of financial risks as identified in Table 1 of this report
4. agree the level of assurance in column I of Table 1 of this report
5. agree any supplementary requirements from internal audit from the assurance map where FSB feel further assurance work is justified or required.
6. recognise that non financial assurances is taken out of scope of FSB responsibility and these will remain under the Directors Departmental Assurance Statements via supportive risk registers.

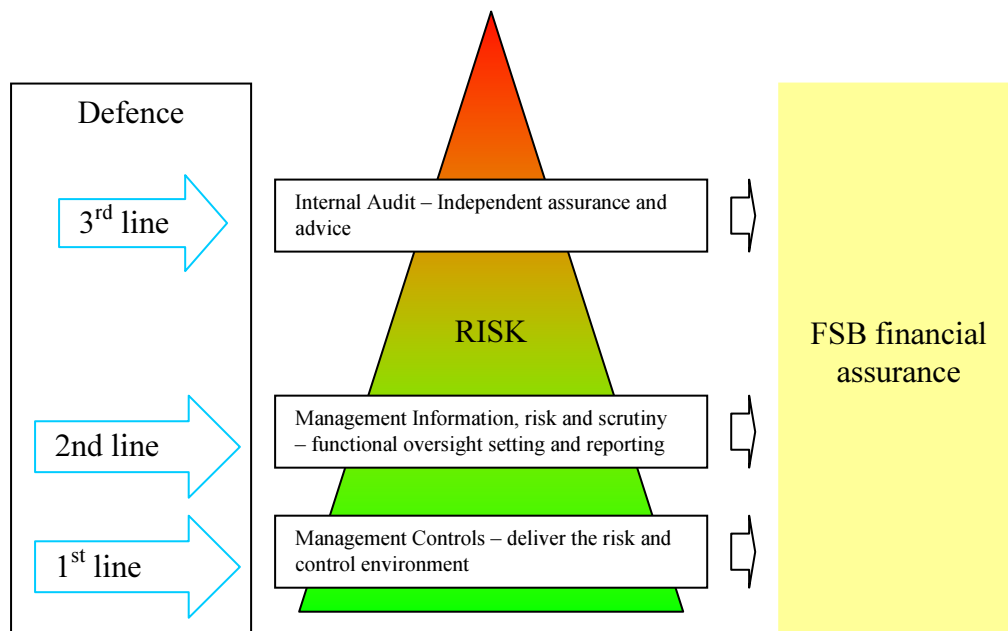
1. Introduction

1.1. In previous years FSB have been involved in ratifying the overall Assurance process. This paper proposes and seeks to establish an alternate simplified proposal to previous years whereby a separate declaration and assurance map provided from FSB establishes the necessary assurance for the management of the council's finances, based on Tiered Assurance for financial management, control and planning as promoted through the Institute of Internal Audit.

1.2. Directors' statements are still due and this is orientated to support the end of year Annual Governance Statement by FSB giving assurance of the financial framework.

2. The framework in practice

2.1. Financial Assurance will be provided by FSB through a 3 lines of defence approach illustrated in the chart below;



2.2. Defined FSB Annual Assurance Requirements – Lines of defence

2.2.1. 1st line of defence – Management Controls

2.2.1.1. This describes the controls FSB have in place to deal with the day-to-day business. Controls are designed into financial systems and processes and assume that their design is sound to appropriately mitigate risk. Subsequently compliance should ensure an adequate control environment. There should be adequate managerial and supervisory controls in place to ensure compliance and to also highlight and self report control breakdown, inadequacy of process and unexpected events.

2.2.2. 2nd line of defence – Risk Management, Management Information and Scrutiny

2.2.2.1. This describes the committees and risk management functions that are in place to support FSB in providing an oversight of the effective operation of the internal control framework. These committees review the management of risk in relation to the particular risk appetite of the business, as determined by the Executive Management Team. The effectiveness of the 2nd line is determined by the oversight committee structure, their terms of

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reference, the competence of the members and the quality of the management information and reports that are considered by these oversight committees.

2.2.2.2. The 2nd line is re-enforced by the advisory and monitoring functions of risk management and compliance. For FSB risk management defines and prescribes the financial and operational risk assessment processes for the business; maintains the risk registers and undertakes regular reviews of these risks in conjunction with line management. Compliance advises on all areas of regulatory principles, rules and guidance, including leading on any changes, and undertakes monitoring activity on key areas of regulatory risk.

2.2.2.3. FSB expect these functions (risk & management information) to report upon their work undertaken and significant findings to the Audit & Pension Committee in the 2nd line.

2.2.3. *3rd line of defence Internal Audit*

2.2.3.1. This describes the independent assurance provided for FSB by the internal audit function that reports to the Audit and Pension Committee.

2.2.3.2. Internal audit undertakes a programme of risk based audits covering all aspects of both 1st and 2nd lines of defence. Internal audit may well take some assurance from the work of the 2nd line functions and reduce or tailor its checking of the 1st line.

2.2.3.3. The level of assurance taken will depend on the effectiveness of the 2nd line, including the oversight committees, and internal audit will need to coordinate its work with compliance and risk management as well as assessing the work of these functions. The findings from these audits are reported to all three lines, i.e. accountable line management, the Executive Management Team and oversight committees and the Audit and Pension committee.

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2.2.3.4. This 3rd line role likens internal audit to that of a goalkeeper in a football match. When the ball is lost in midfield (1st line) and the defence (2nd line) fails to pick up the opposition's attack, it is left to the goalkeeper (3rd line) to save the day. There is a reasonable expectation that internal audit will identify the weaknesses in both 1st and 2nd lines and failure to do so may lead to significant loss to the organisation.

2.2.4. Assurance Map of Financial Services

2.2.4.1. The Financial Strategy Board is responsible for the following Tiers of assurance illustrated below;

Tier 1 Assurance – Financial Management, Financial Control, Financial Planning and Reporting (including of accountable bodies and of the Pension fund)

Tier 2 Assurance – Scrutiny & Risk Management of Financial Performance

Tier 3 Assurance – Internal Audit findings from detailed systems audits

Tier 4 Assurance – Accountability and framework of Financial Accounting systems

2.2.5. In support of the Annual Governance Statement 2010-2011 FSB are providing assurance on the financial management and control of the council through the allocation of accountable officers to Finance Risk Areas and maintaining the controls including risk management that underpin them.

2.2.6. Other assurances in support of the Directors Assurance Statement are to be provided through upkeep of the councils risk and assurance registers. This coupled with the Assurance Map in TABLE 1 of this document will be the prime documents in support of the Annual Assurance Statement.

2.2.7. FSB will maintain this document and review it at two points once mid financial year and prior to sign off and subsequent submission to the Chief Internal Auditor before financial year close down.

2.2.8. Accountability mapping for these Assurance Levels is based on RACI-O allocation outlined below where the key financial activities are listed by Finance Risk Area.

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RACI-O

Responsible: person who performs the activity or does the work

Accountable: person who is ultimately accountable and has the YES/NO/VETO

Consulted: person who needs feedback on the activity

Informed: person that needs to know of the action or decision

Oversight: charged with ensuring that multiple accountabilities fit together and risks are properly understood and communicated

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TABLE 1. ASSURANCE MAP of Financial Services

A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)
Tier 1	1	Financial Management	Financial Regulations, Scheme of delegation, Risk and Assurance Registers, FSB Minutes and Agenda items	Assistant Director of Finance (Environment & Childrens Services) Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Strategy & Resources Manager	Financial Strategy Board	Director of Finance & Corporate Services	Directors, Management Teams Devolved finance teams	Deputy Director of Finance & Corporate Services	F
	2	Financial Control	Internal Audit, External Audit, Financial Regulations, Scheme of delegation, Risk and Assurance Registers, FSB Minutes and Agenda items	Assistant Director of Finance (Environment & Childrens Services) Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Accountancy Services Manager	Financial Strategy Board	Director of Finance & Corporate Services	Directors, Management Teams Devolved finance teams	Deputy Director of Finance & Corporate Services	F
	3	Financial Planning	Financial Regulations,	Assistant Director of Finance (Environment & Childrens Services)	Financial Strategy	Director of Finance &	Directors, Management	Deputy Director of	F

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			Budget preparation working papers and electronic files, Medium Term Financial Planning guidance, Leaders Challenge papers, Management Team Minutes, Risk and Assurance Registers	Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Strategy & Resources Manager	Board	Corporate Services	Teams Devolved finance teams	Finance & Corporate Services	
	4	Financial Reporting	Financial Regulations, Corporate Revenue and Capital Monitoring reports and papers, Management Team Minutes	Assistant Director of Finance (Environment & Childrens Services) Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services) Corporate Accountancy Services Manager	Financial Strategy Board	Director of Finance & Corporate Services	Overview and Scrutiny Committee Audit and Pension Committee Financial Strategy Board Directors	Deputy Director of Finance & Corporate Services	F
A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)

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5	Pension fund Management	Financial Regulations, Pension fund reports to EMT and Audit and Pension Committee	Assistant Director Business Support	Audit & Pension Committee, Independent Audit,	Director of Finance & Corporate Services	Employees, Pension fund members		F
6	Pension fund Control	Financial Regulations, Pension Fund Strategy, Risk & Assurance Registers	Assistant Director Business Support	Audit & Pension Committee Independent Audit,	Director of Finance & Corporate Services	Audit & Pension Committee	Director of Finance & Corporate Services	F
7	Pension fund Planning	Financial Regulations, Audit and Pension Committee Agenda and Minutes	Assistant Director Business Support	Audit & Pension Committee Independent Audit,	Director of Finance & Corporate Services	Audit & Pension Committee	Director of Finance & Corporate Services	F
8	Pension fund Reporting	Financial Regulations, Psolve reporting, Audit and Pension Committee Agenda and Minutes, Annual Report	Assistant Director Business Support	Audit & Pension Committee Independent Audit	Director of Finance & Corporate Services	Audit & Pension Committee	Director of Finance & Corporate Services	F
9	Key Contract Management	Financial Regulations and Contract Standing orders, Competition Board Agenda and Minutes	Assistant Director Procurement and IT Strategy	Competition Board	Director of Finance & Corporate Services	Directors	Cabinet	F
10	Treasury Management	Financial Regulations, Treasury Management Strategy, Audit and	Assistant Director Business Support	Audit & Pension Committee	Director of Finance & Corporate Services	Full Council Audit & Pension Committee	Director of Finance & Corporate Services	F

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			Pension Committee Agenda and Minutes						
A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)
Tier 2	11	Scrutiny of Financial Performance	FSB agenda and minutes	Deputy Director of Finance	Audit & Pension Committee, Overview and Scrutiny Committee	Director of Finance & Corporate Services	Full Council Cabinet		F
	12	Risk Management of Financial Performance	Financial budget risks identified in budget preparation documents	Deputy Director of Finance & Corporate Services Assistant Director of Finance (Environment & Childrens Services) Assistant Director of Finance and Resources (Resident Services) Assistant Director of Finance (Business Support) Assistant Director of Resources (Community Services)	Financial Strategy Board	Deputy Director of Finance & Corporate Services	Full Council Cabinet	Director of Finance & Corporate Services	F
Tier 3	13	Internal Audit	Review of Internal Audit by the Audit Commission and internal review as part of the AGS, Contract	Chief Internal Auditor	Audit & Pension Committee Risk Management	Deputy Director of Finance & Corporate Services Chief Internal Auditor	Director of Finance & Corporate Services Audit and Pension	Director of Finance & Corporate Services	F

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A. Assurance level	B. No.	C. Finance Risk Area	D. Primary Evidence (Highlights not a comprehensive list see Risk & Assurance Registers for more detail)	E. Responsible	F. Assurance provider	G. Accountable Officer	H. Informed	I. Oversight	J. FSB self assessment (F= Full assurance of systems, S=Substantial assurance of systems, L= Limited assurance of systems, N=No assurance of systems)
Tier 4	14	Financial Accounting system ledger - Cedar		Head of Finance Development Corporate Accountancy Services Manager	Finance Development Board	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	GAP
	15	Invoice processing - Civica		Corporate Accountancy Services Manager	World Class Financial Management Board	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services Head of Finance Development	Planned Audit 2010 – 2011 Core Financials Debtors
	16	Financial Planning System - Collaborative Planning		Head of Finance Development Corporate Strategy & Resources Manager	Internal Audit	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	GAP
	17	Cash receipting Civica Radius		Corporate Accountancy Services Manager	Internal Audit	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	Planned Audit Core Financials 2010 - 2011

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	18	Payroll system Trent		Assistant Director Human Resources	Internal Audit	Assistant Director Human Resources	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	Planned Audit 2010 - 2011
	19	Insurance system database		Corporate Strategy & Resources Manager	Internal Audit	Deputy Director of Finance & Corporate Services	Financial Strategy Board Finance Community	Deputy Director of Finance & Corporate Services	Planned Audit Insurance 2010 - 2011
	20	Development of Finance Systems WCFM	Project working papers, Cabinet Reports, briefing minuets and agenda items	Head of Finance Development	Cabinet	Deputy Director of Finance & Corporate Services		Director of Finance & Corporate Services	Audit adequacy advisory review

Financial Strategy Board are collectively responsible for the Financial Management of the council and throughout the financial year are able to provide reasonable not absolute assurance that sufficient controls proportionate to risk have been applied to safeguard the council's finances as identified in TABLE 1 of this report

Chair of Financial Strategy Board

Sign

Date