

# Governance, Risk, and Best Value Committee

10.00am, Tuesday, 10 August 2021

## First Line Governance and Assurance Model

Item number

Executive/routine

Executive

Wards

Council Commitments

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
- 1.2 notes the proposed refreshed first line governance and assurance model structure; and,
- 1.3 notes the next steps and implementation timeframes for the refreshed model.

**Andrew Kerr**

Chief Executive

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## First Line Governance and Assurance Model

### 2. Executive Summary

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- 2.1 This report details the design and implementation timeframe for refreshed first line governance and assurance model that will be implemented on a permanent basis across the Council.
- 2.2 The objective of the new model is to address the concerns highlighted in both current and recent Internal Audit annual opinions in relation to lack of capacity and skills within first line divisions and directorates to ensure that key controls; governance; and risk management processes are consistently and effectively applied, by increasing first line capacity, and first and second line assurance across these areas.
- 2.3 It is expected that the refreshed model will be implemented and (subject to recruitment) operational by December 2021, with the first quarterly reporting cycle on assurance activities completed by March 2022.
- 2.4 The effectiveness of the refreshed model will be monitored by the Service Director, Legal and Assurance, through the Risk and Assurance governance forum and also through the established Directorate and Corporate Leadership Team (CLT) Risk and Assurance committees.
- 2.5 It is expected that the refreshed model will support improvement in the Council's operational risk profile (together with the planned implementation of the refreshed risk management framework), and improved assurance outcomes from third line assurance teams.

### 3. Background

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- 3.1 The Chief Internal Auditor has highlighted in her 2020/21 annual opinion that the weaknesses identified in internal audit reports are, in part, attributable to and/or exacerbated by a lack of capacity and skills to support effective governance; risk management; control; and assurance activities within first line divisions and directorates.
- 3.2 The Chief Executive and Executive Directors have acknowledged that additional resource is necessary to strengthen the Council in these areas, and the Chief Executive has previously committed to the Council's Governance, Risk, and Best

Value and Policy and Sustainability Committees that this will be prioritised and implemented.

- 3.3 Following the allocation of additional temporary resources to focus specifically on implementation of internal audit findings, experience since January 2021 has confirmed the success of this approach, with some improvement evident in both output and focus across Council Directorates, despite the ongoing challenges presented by Covid-19.
- 3.4 Consequently, it is anticipated that applying a similar approach to other governance; risk management; control; and assurance activities will achieve a similar outcome, ultimately resulting in improved independent assurance outcomes from internal audit and other external assurance providers.

### **Optimal Assurance Models**

- 3.5 A survey was completed in September 2020 to determine the extent to which the optimal three lines assurance model is applied by local authorities across Scotland. This was further supplemented by an Institute of Internal Auditors (IIA) survey to determine the extent of its application across the UK public sector.
- 3.6 An Assurance Model Considerations paper was prepared and provided to the Chief Executive, detailing the outcomes of the Scottish Local Authority survey. This confirmed that of the 14 respondents:
- 57% operate a comprehensive combined first, second, and third line assurance model (the optimal assurance model);
  - 29% have a largely first and third line assurance model, with a thin, or non-existent second line;
  - 7% (1 authority) operates a largely second and third line assurance model with limited first line assurance; and
  - No authorities operated a third line (Internal Audit) only assurance model.
- 3.7 It should be noted that no qualitative assessment was made in relation to the effectiveness of the models which authorities indicated that they use. However, the conclusion was that the Council should implement the most appropriate version or combination of the four assurance models noted above (with more detail provided in the paper) for the Council.

## **4. Main report**

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### **Refreshed First Line Governance and Assurance Model Structure**

- 4.1 Following presentation of the paper and following feedback from officers working in this field, the Executive Directors agreed a model for implementation, with the support of the Chief Executive, which they considered would best achieve the outcomes sought.
- 4.2 In addition to existing people that carry out some of these assurance activities already, each directorate (including the Health and Social Care Partnership) will commit to providing at least 1 full time equivalent (FTE) role dedicated to the

coordination (where governance activities are performed by services) and / or completion of first line governance; risk management; and assurance activities.

- 4.3 Recognising the diverse nature of existing Directorate governance arrangements; services provided; and their associated risk profiles, the grading and reporting lines for these new governance and assurance roles may vary. For example, where a Directorate has an established Operations Manager role with existing governance and risk management responsibilities, the additional governance and assurance role may report directly to the operations manager, or where Executive Directors consider it appropriate, additional Operations Manager roles could be established, reporting directly to the relevant Executive Director.
- 4.4 Where first line directorate governance and risk management activities are performed by services, it is expected that directorate governance and assurance teams will coordinate these activities and provide ongoing first line assurance that they are being consistently and effectively completed.
- 4.5 It is important to note that both first line governance and second line assurance activities will and should change as the model matures, with resources directed towards the Council's most significant and any new and emerging risks.
- 4.6 It is expected that initial first line governance and risk management activities will include (at least) those detailed at Appendix 1. These that reflect areas previously identified by Internal Audit where significant control improvements are required.
- 4.7 The Council's current Corporate Governance team, within the Corporate Services - Legal and Assurance Division will also be strengthened with up to three additional corporate governance officers. These officers will perform a 'business partnering' role that will provide support and guidance to; and ongoing second line assurance on directorate governance and risk management activities, where this is not currently provided by established second line teams (for example; Corporate Health and Safety; Corporate Risk Management; and Corporate Resilience).

### **Governance and Scrutiny Arrangements**

- 4.8 The scope and remit of the current risk forum that was established to focus on new, emerging, and thematic Covid-19 risks will be formalised and extended to focus on both risk and assurance and will continue to be chaired by the Service Director, Legal and Assurance.
- 4.9 This refreshed approach will support ongoing focus on the Council's most significant thematic and any new and emerging risks; whether any changes to established assurance processes are required to confirm that these risks are being effectively managed; and the outcomes of both first and second line assurance activities.
- 4.10 First line directorate governance and assurance team representatives (for example directorate operations managers) will continue to attend the refreshed risk and assurance forum together with the Council's Head of Audit and Risk and Head of Democracy, Governance, and Resilience, with representation from other second line assurance teams (for example Corporate Health and Safety) as required.

- 4.11 The outcomes of first and second line assurance activities will be reported to and discussed at first line directorate risk committees with any thematic trends escalated to the Corporate Leadership Team Risk Committee.

## **5. Next Steps**

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- 5.1 A comprehensive list of first line governance and risk management activities in addition to those included at Appendix 1 will be prepared by the Corporate Governance team to be shared with and agreed with Directorates.
- 5.2 Directorates will define the number; structure; and responsibilities of additional governance and assurance roles required to support coordination and / or completion of these activities in each directorate. Relevant roles will be recruited to as necessary, with progress in this regard already being made by the Place and Corporate Services Directorates.
- 5.3 The Corporate Governance team will define the roles; responsibilities; and structure and reporting lines for the additional corporate governance officers and recruit to these. The business partnering aspects of these roles will also be confirmed with directorates and established second line teams.
- 5.4 First and second line assurance responsibilities will be finalised and agreed. This will include defining a simple reporting structure that details the outcomes of ongoing first and second line assurance activities.
- 5.5 The remit of the current risk forum will be refreshed and formalised to include assurance activities and the revised terms of reference will be considered as part of the ongoing operational governance framework review.
- 5.6 Recruitment to the additional Directorate and Corporate Governance team roles will be undertaken and the new governance and assurance model will be implemented. The priority will be the additional line 1 capacity that each Executive Director has committed to have in place by the end of September 2021.
- 5.7 The first quarterly cycle of reporting on assurance activities through Directorate and the Corporate Leadership Team risk committees will be completed by March 2022.

## **6. Financial impact**

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- 6.1 The financial costs associated with this model will be dependent on the structure of first line governance and assurance teams implemented for each directorate. Each directorate will be responsible for any additional costs that this may require and will be expected to deliver these from within existing budgets.
- 6.2 Financial benefits could potentially be achieved if the Council effectively manages and assures the effectiveness of actions implemented to address its most significant risks.

## **7. Stakeholder/Community Impact**

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- 7.1 Improvement in the Council's operational risk profile together with the planned implementation of the refreshed risk management framework; and
- 7.2 Improved assurance outcomes from third line assurance teams (for example, internal audit; external audit; and external regulators).

## **8. Background reading/external references**

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- 8.1 None

## **9. Appendices**

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- 9.1 Appendix 1 - Proposed First and Second Line Governance and Assurance Activities

## Appendix 1 - Proposed First and Second Line Governance and Assurance Activities

First Line Governance and Risk Activities	Second Line Assurance	Comments
Governance of ALEOs	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>• Coordination of divisional and directorate ALEO governance arrangements in line with ALEO governance framework requirements</li> </ul>
Resilience and Emergency Planning	<b>Corporate Resilience</b>	<ul style="list-style-type: none"> <li>• Coordination of completion of operational and technology resilience plans and BIAs across services</li> <li>• Completion of consolidated directorate resilience plans</li> </ul>
Risk Management	<b>Corporate Risk Management</b>	<ul style="list-style-type: none"> <li>• Coordination of risk management arrangements across services and divisions.</li> <li>• Preparation and maintenance of directorate risk registers.</li> <li>• Scheduling and coordination of Directorate and other relevant specialist risk committees.</li> </ul>
Internal Audit and Other Assurance Findings (including whistleblowing and complaints)	<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Ensure implementation of all Internal Audit management actions across divisions, and directorates.</li> </ul>
Annual Governance Statements	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>• Coordination of preparation of divisional annual governance statement in line with CG team guidance.</li> <li>• Preparation of directorate annual governance statements</li> </ul>
Policy Management and Integrated Impact Assessments	<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>• Maintenance of divisional and directorate policy registers</li> <li>• Coordination of ongoing updates to policies by services and divisions in line with scheduled policy review dates.</li> <li>• Confirmation that integrated impact assessments have been prepared for all new and refreshed for all existing policies.</li> </ul>
Health and Safety Compliance and Performance Reporting	<b>Corporate Health and Safety</b>	<ul style="list-style-type: none"> <li>• Confirmation that services and divisions have established processes to ensure employee and contractor compliance with applicable health and safety requirements (including capital projects)</li> <li>• Providing assurance that all incidents and near misses are recorded in the SHE reporting system</li> <li>• Ongoing first line assurance on compliance with significant operational health and safety requirements (for example use of Personal Protective Equipment).</li> <li>• Ensuring all significant thematic health and safety weaknesses are recorded in relevant risk registers.</li> </ul>
Complaints / FOIs and SARs	<b>Information Governance Unit</b>	<ul style="list-style-type: none"> <li>• Coordination of responses to all requests received from the Information Governance Unit to ensure that these are completed on time.</li> <li>• Ensuring complaints are handled timeously and in accordance with policy</li> </ul>
First Line Projects	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>• Completion of consolidated reporting for first line project management office meeting, including identification; recording; escalation; and monitoring of significant and thematic project risks.</li> <li>• Coordination of project management arrangements across first line projects in line with the Council's established project management framework</li> <li>• Ongoing assurance across first line projects to confirm that they are being effectively managed.</li> </ul>
Systems Access and User Profiles	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>• ensuring all systems have a nominated systems owner</li> <li>• confirming that all systems have an appropriate range of user profiles that can be mapped to relevant user roles</li> <li>• ensuring system owners are aware of the need to allocate appropriate system profiles to new starts</li> <li>• ensuring that all leavers are removed from the system (including internal transfers).</li> <li>• coordination of management of system access rights across system owners within divisions and directorates (e.g. providing standard processes and procedures)</li> <li>• Completing quarterly assurance reviews to confirm that system access rights remain appropriate.</li> </ul>

## Appendix 1 - Proposed First and Second Line Governance and Assurance Activities

First Line Governance and Risk Activities	Second Line Assurance	Comments
Software licences	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>ensuring all system owners have established processes for managing licences, including licence renewal and allocation of licences to new starts and removal of licences for leavers.</li> <li>Performing six monthly assurance reviews to confirm that no system licences have expired and that licence allocation remains appropriate.</li> </ul>
Contracts Register	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>Confirming that the directorate contracts are included in the Council's contracts register</li> <li>Confirming that contract owners have been established for all contracts.</li> </ul>
Shadow IT register	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>Confirming that all cloud based systems and end user computing applications are included in the Shadow IT register maintained by Commercial and Procurement Services</li> <li>Confirming that system and contract owners have been established for all cloud based and end user computing applications (e.g. models)</li> <li>Confirming that ongoing checks are performed by management to confirm the integrity of all end user computing applications and models, and that the operation of the models has been documented.</li> </ul>
Ongoing Supplier Management (incl external cloud based system providers)	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>Confirming that appropriate supplier management arrangements have been established for all significant contracts as per requirements of the Contracts and Grants Management Framework.</li> <li>Performing quarterly assurance reviews to confirm that ongoing supplier management arrangements have been established in line with the Council's Contracts and Grants Management Framework, and that the scope of the meetings cover all expected areas (including ongoing performance reporting).</li> </ul>
Leavers / overtime / expenses/ IR35 compliance / Council drivers	<b>To be confirmed</b>	<ol style="list-style-type: none"> <li>Confirm that services have established processes to ensure that: <ul style="list-style-type: none"> <li>leavers have been advised to HR and removed from payroll on time</li> <li>Overtime payments are approved by management prior to payment.</li> <li>IR35 requirements have been applied for agency / off payroll workers as per HR and Procurement policy / guidance.</li> <li>Council drivers (including grey fleet) have been registered with Fleet Services in line with policy requirements.</li> </ul> </li> <li>Perform quarterly assurance checks to confirm that the above processes are consistently and effectively applied.</li> </ol>
Gifts and Hospitality / conflicts of interest / secondary employment registers	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>Requesting quarterly updates on these areas from service managers</li> <li>Maintaining / updating divisional and directorate registers</li> </ul>
PVG and other professional registrations (e.g. GTCS; SSSC)	<b>To be confirmed</b>	<ul style="list-style-type: none"> <li>Confirm that services have established processes to ensure that team members have maintained professional qualifications relevant to their roles.</li> <li>Quarterly assurance process across a sample of professional registrations and certifications to ensure that they remain valid.</li> </ul>