

**REPORT FOR: GOVERNANCE, AUDIT &
RISK MANAGEMENT
COMMITTEE**

Date of Meeting: 24 September 2012

Subject: **Management Assurance Report
2011/12**

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No

Enclosures: 2011/12 Management Assurance Report –
Appendix 1
2011/12 Corporate Management Assurance
Statement – Appendix 2
2011/12 Reality Testing – Appendix 3

Section 1 – Summary and Recommendations

This report sets out the results of the 2011/2012 Management Assurance Exercise.

Recommendations:

The Committee is requested to:

Re-consider the results of the 2011/2012 Management Assurance Exercise and confirm its suitability for use as supporting evidence for the Annual Governance Statement (AGS).

Section 2 – Report

Background

- 2.1 The 2011/12 Management Assurance report was presented to the GARM Committee on 4th September 2012. The Committee questioned the exercise's suitability for use as supporting evidence for the Annual Governance Statement (AGS) and asked that it be referred back the Corporate Governance Group and that more information be provided on the reality testing undertaken by Internal Audit.
- 2.2 The management assurance process was developed and introduced across the Council in 2005/2006 and from the beginning the exercise has been based on a management self-assessment process. The output of the exercise has been presented to the GARM Committee each year since it's introduction.

Assurance

- 2.3 As part of the review of the effectiveness of governance, including internal control, the GARM Committee, the Corporate Strategy Board (CSB) and the Corporate Governance Group (CGG) receive and review assurance from a number of sources to support of the Annual Governance Statement.
- 2.4 The primary responsibility for providing assurance on the adequacy of risk management and internal control rests with management who should put in place appropriate mechanisms to ensure that they have the necessary evidence to satisfy themselves and the organisation as to the efficiency and effectiveness of the internal control framework.
- 2.5 In line with accepted best practice this assurance usually takes the form of specific assurance statements provided by management.
- 2.6 Independent assurance validates management assurance and is provided by groups that are independent of or neutral to the risk management and internal control systems and processes e.g. Internal Audit, External Audit, external reviewers or even the Audit Committee itself. This validation can be indirect, for example Internal Audit's opinion on the control environment or direct e.g. Management Assurance 'reality testing'.
- 2.7 It is generally accepted that more reliance can be placed on independent sources of assurance than unsupported assurance provided by management however having a management assurance process is

considered good practice and is a recommended governance process by CIPFA whose guidance Local Authorities are expected to follow.

- 2.8 The majority of the assurance used to support the Council's Annual Governance Statement comes from independent sources and is evidence based e.g. the annual governance review, the Internal Audit opinion on the control environment, Internal Audit and External Audit work. The output of the management assurance exercise is just one small piece of the assurance jigsaw.

Management Assurance Reality Checking

- 2.9 When the management assurance exercise was first introduced at Harrow the limitations of the reliance that could be placed on the assurance provided by managers was recognised by the Corporate Governance Group. On the recommendation of Internal Audit, in an attempt to increase the reliance that could be placed on the exercise, a 'reality testing' process was developed. For the first few years, as the exercise was being embedded the reality testing was comprehensive and in addition managers were asked to provide evidence for all assurance provided for independent review. However in recognition that this is a management and not an audit process and to reduce the burden of the reality testing on scarce audit resources the level of reality testing was reduced.
- 2.10 For the 2011/12 exercise 9 out of 20 (45%) of the areas of assurance were subject to specific reality testing with all other areas being subject to a more generally reality test based on accumulated audit knowledge and commentary provided by managers. This resulted in a lowering of assurance in only 4% of areas of assurance i.e. for the vast majority of areas evidence provided supported the managers' assessment of governance arrangements in place.

Corporate Governance Group (CGG)

- 2.11 At the request of the GARM Committee the Management Assurance Exercise was referred back to the Chair of the Corporate Governance Group (there was not time to convene a meeting in the week between the GARM Committee meeting and the deadline for reports for the next GARM meeting) to consider comments made by the Committee.
- 2.12 In response to this, as requested more detail on reality testing is provided in paragraph 2.10 above and in Appendix 3 to this report. In addition the Chair confirmed that the Corporate Governance Group recognise and accept the limitations of assurance provided by managers but pointed out that it is considered a valued source of assurance that forms a small part of the annual review of governance with the majority of assurance being evidence based and from independent sources.
- 2.12 On this basis the report is resubmitted to the GARM Committee for consideration.

Financial Implications

2.8 There are no financial implications.

Risk Management Implications

2.9 The work of internal audit supports the management of risks across the council.

Corporate Priorities

2.10 The work of Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

SECTION 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	On behalf of Chief Financial Officer
Date: 13/09/12		
Name: Hugh Peart	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 13/09/12		

Section 4 - Contact Details and Background Papers

Contact: Susan Dixon, Service Manager, Internal Audit,
Tel:0208 424 1420

Background Papers: None.

If appropriate, does the report include the following considerations?

1.	Consultation	YES / NO
2.	Corporate Priorities	YES / NO