

# Public Document Pack



COMMITTEE: **JOINT AUDIT AND STANDARDS COMMITTEE**

VENUE: **Rose Room - Endeavour House, 8 Russell Road, Ipswich**

DATE: **Monday, 14 May 2018 at 10.15 am**

## Members

### Babergh

Clive Arthey  
Melanie Barrett  
Tony Bavington  
Sue Burgoyne

Tom Burrows  
Frank Lawrenson (Chair)  
Mark Newman  
William Shropshire

### Mid Suffolk

Michael Burke  
John Levantis  
John Matthissen  
Lesley Mayes

Suzie Morley (Chair)  
Dave Muller  
Mike Norris  
Kevin Welsby

## **A G E N D A**

---

ITEM	BUSINESS	PAGES
------	----------	-------

---

The Council, members of the public and the press may record/film/photograph or broadcast this meeting when the public and the press are not lawfully excluded. Any member of the public who attends a meeting and objects to being filmed should advise the Committee Clerk.

### **PART 1**

#### **1 SUBSTITUTES AND APOLOGIES**

Any Member attending as an approved substitute to report giving his/her name and the name of the Member being substituted.

#### **2 DECLARATION OF INTERESTS**

Members to declare any interests as appropriate in respect of items to be considered at this meeting.

#### **3 JAC/17/24 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 12 MARCH 2018**

1 - 6

#### **4 PETITIONS**

The Corporate Manager – Democratic Services to report, in accordance with Council's Rules of Procedure, the receipt of any petitions submitted to the Chief Executive.

#### **5 QUESTIONS BY THE PUBLIC**

To consider questions from, and provide answers to, the public in relation to matters which are relevant to the business of the meeting and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

ITEM	BUSINESS	PAGES
6	<b>QUESTIONS BY COUNCILLORS</b>	
	To consider questions from, and provide answer to, Councillors on any matter in relation to which the Committee has powers or duties and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.	
7	<b>TECHNICAL PAPER ON GROUP ACCOUNTS</b>	
	Verbal update from the Corporate Manager - Financial Services.	
8	<b>JAC/17/25 JOINT ANNUAL GOVERNANCE STATEMENT 2017/18</b>	7 - 30
	Report by the Corporate Manager – Internal Audit attached.	
9	<b>JAC/17/26 ANNUAL INTERNAL AUDIT REPORT</b>	31 - 52
	Report by the Corporate Manager – Internal Audit attached.	
10	<b>JAC/17/27 END OF YEAR RISK POSITION STATEMENT AND PROGRESS REPORT</b>	53 - 72
	Report by the Assistant Director – Law and Governance attached.	
11	<b>JAC/17/28 CONSTITUTION WORKING GROUP</b>	73 - 76
	Report by the Monitoring Officer attached.	
12	<b>JAC/17/29 REVIEW OF ETHICAL STANDARDS IN LOCAL GOVERNMENT</b>	77 - 80
	To agree the Council’s response to the Committee on Standards in Public Life’s consultation on Ethical Standards.	
	Consultation document attached, draft response to follow.	
13	<b>JAC/17/30 CONSTITUTIONAL UPDATE</b>	
	To agree any Constitutional amendments as reported by the Monitoring Officer.	
	Amendments to the Responsibility of Functions Rules for the Joint Audit and Standards Committee – report to follow.	
14	<b>JAC/17/31 FORWARD PLAN</b>	81 - 84
	Report by the Corporate Manager – Democratic Services attached.	

---

15      **COMMENCEMENT TIMES FOR FUTURE MEETINGS**

To agree commencement times for future Joint Audit and Standards Committee meetings.

Note: The date of the next meeting is Monday 30 July 2018, start time to be agreed.

## **Introduction to Public Meetings**

Babergh/Mid Suffolk District Councils are committed to Open Government. The proceedings of this meeting are open to the public, apart from any confidential or exempt items which may have to be considered in the absence of the press and public.

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact the Governance Officer on: 01449 724681 or Email: [Committees@baberghmidsuffolk.gov.uk](mailto:Committees@baberghmidsuffolk.gov.uk)

### **Domestic Arrangements:**

- Toilets are situated opposite the meeting room.
- Cold water is also available outside opposite the room.
- Please switch off all mobile phones or turn them to silent.

### **Evacuating the building in an emergency: Information for Visitors:**

If you hear the alarm:

1. Leave the building immediately via a Fire Exit and make your way to the Assembly Point (Ipswich Town Football Ground).
2. Follow the signs directing you to the Fire Exits at each end of the floor.
3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.
4. Use the stairs, not the lifts.
5. Do not re-enter the building until told it is safe to do so.

**BABERGH AND MID SUFFOLK DISTRICT COUNCILS**

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the King Edmund Chamber - Endeavour House, 8 Russell Road, Ipswich on Monday, 12 March 2018

**PRESENT:**

Councillor: Suzie Morley (Chair)  
Dave Muller (Vice-Chair)

Councillors: Clive Arthey  
John Levantis  
Lesley Mayes  
Kevin Welsby  
Michael Burke  
John Matthissen  
Mike Norris  
Stephen Williams

**In attendance:**

Suresh Patel, Ernst and Young LLP  
Rodique Thomas, Ernst and Young LLP

Assistant Director Law and Governance and Monitoring Officer (EY)  
Corporate Manager - Democratic Services (JR)  
Corporate Manager - Financial Services (ME)  
Corporate Manager - Internal Audit (JS)  
Internal Audit and Risk Management Officer (CC)  
Internal Audit and Risk Management Officer (PJ)  
Governance Support Officer (HH)  
Governance Support Officer (BN)

**39 SUBSTITUTES AND APOLOGIES**

Apologies were received from Councillors Tony Bavington, Frank Lawrenson and William Shropshire.

The following Councillors were unable to be present: Councillors Sue Burgoyne, Tom Burrows and Mark Newman.

**40 DECLARATION OF INTERESTS**

There were no declarations of interests.

**41 JAC/17/17 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 15 JANUARY 2018**

It was **RESOLVED:-**

**That the minutes of the meeting held on the 15 January 2018 be confirmed as a true record.**

## 42 PETITIONS

None received.

## 43 QUESTIONS BY THE PUBLIC

None received.

## 44 QUESTIONS BY COUNCILLORS

Councillor Matthissen enquired whether there was a view to change start times of the meetings.

The Chair responded that this would be a discussion outside of the meeting.

## 45 EXTERNAL AUDIT REPORTS

### a JAC/17/18 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016/17

45.1 Suresh Patel, the External Auditor from Ernst and Young LLP presented report JAC/17/18 summarising the scope of work undertaken and very minor errors identified in respect of housing benefits subsidy claim. He drew Councillors' attention to year ahead "2018/19" where the Councils would be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim. He indicated that Ernst and Young LLP would be pleased to continue to undertake this work and would provide a competitive quotation. Clarification was given that the Housing Benefit Assurance Process (HBAP) guidance was yet to be formally formalised by the DWP.

**It was RESOLVED:-**

**That the report be noted.**

### b JAC/17/19 JOINT AUDIT PLAN 2017/18

45.2 Suresh Patel, the External Auditor from Ernst and Young LLP presented report JAC/17/19. The key message being in that identified major risks remain the same. There was a new risk, the Assessment of the Group Boundary, which necessitated the preparation of group accounts and a decision was awaited on this. Regarding Value for Money no specific risks had been identified for either Councils and it was considered that the Councils had satisfactory arrangements in place. With regard to earlier accounts deadline, good arrangements were in place, working with the Finance Officers to mitigate risks. He responded to Councillors' questions on matters including:-

- Pooled business rates going through Public Sector Leaders Group  
*Clarification was given that pooled business rates form part of the collection fund and does not form part of the group structure.*

- CIFCO group accounts - how does it get reflected in accounts if they are not included in the group accounts?  
*Clarification was given that once a decision had been made on whether to include in the group accounts this would be challenged and risks considered. If not material and no risk, there would be same sort of disclosure which would be audited. A Panel is looking at the risks of the two holding companies and details being monitored in the Risk Register. A request was received for a Group Account Technical Note to be brought to the next meeting for information.*

**It was RESOLVED:-**

**That the Joint Audit Plan 2017/18, Report JAC/17/19, be noted.**

#### **46 JAC/17/20 INTERNAL AUDIT PLAN 2018/19**

46.1 The Internal Audit and Risk Management Officer, introduced Report JAC/17/20 detailing the proposed Internal Plan for 2018/19 and responded to Councillors' questions on various related matters including:

- Asset Register – Have we got an Asset Register?  
*An assurance was given that there is a fully reconciled Asset Register.*
- Movement of assets – Audit trail of the movement of assets from Corks Lane to Endeavour House  
*The asset register that was held for accounting purposes has a de minimis level and therefore does not include items of office equipment.*
- Staffing  
*Staff changes were not expressly commented on in the report.*
- Housing Delivery Audit “Annual Monitoring Report”  
*The officer confirmed it was the process and controls around it that were looked into.*
- Deputy Monitoring Officers  
*Clarification was given that primary function of the two Deputy Monitoring Officers was to investigate the complaints raised.*
- Shared Revenues Partnership  
*Ipswich Borough Council was the host, and they would test the processes and primarily conduct the audit. The Department of Work and Pension (DWP) prepare the Housing Benefit detail. The Council receive a draft report for comment.*
- The Disabled Facilities Grant was currently being underspent  
*Officers were aware of the underspend and were currently working on ways to rectify this.*

- Waste Management  
*Methods of improving and streamlining the current process were being investigated.*

**It was RESOLVED:-**

**That the Internal Audit Report 2018/19, as detailed in Appendix A to Report JAC/17/20 be approved.**

**47 JAC/17/21 - MANAGING THE RISK OF FRAUD AND CORRUPTION - ANNUAL REPORT 2017/18**

47.1 The Corporate Manager – Internal Audit, introduced Report JAC/17/21, which explained the current arrangements in place for both Councils to ensure there was a pro-active corporate approach to preventing fraud and corruption and creating a culture, in which this would not be tolerated. It also provided details of proactive work undertaken by Internal Audit to deter, prevent and detect fraud and corruption.

47.2 It was noted that positive feedback had been received from officers who had attended the Tenancy Fraud training.

47.3 The Corporate Manager responded to Councillors' questions including:

- Was there any success stories of benefit fraud prosecutions in the last 12 months?  
*Problems were being experienced in getting feedback from the DWP.*
- Paragraph 10.38 to Report JAC/17/21 – Where had the fraud occurred?  
*A request to amend a supplier's bank account details had been received. Investigations and verification to this request found it to be an invalid request. Confirmation was given to Councillors that no monies had left the Council's account to the fraudulent account.*
- Unlawful sub-letting of Council properties in our area  
*It was noted that there had been one investigation, and whilst sub-letting was generally a bigger issue in the London Borough and surrounding areas, officers continue to be diligent with regard to Tenancy Fraud.*

**It was RESOLVED:-**

**That the progress made in ensuring there are effective arrangements and measures in place across both Councils to minimise the risk of fraud and corruption be endorsed.**

**48 POSITION STATEMENT - RISK MANAGEMENT**

48.1 The Internal Audit and Risk Management Officer, provided Councillors with an verbal update on the position statement.

“One new amalgamated risk register has now been created which captures significant, operational and project risks all in one place, with different tabs for each theme within an Excel document. The register is located on the Audit and Risk Management page of Connect and can be accessed by all staff and Members at any point in time.

The significant risk process has been strengthened by including the addition of Cabinet Lead Members for each risk on the register to ensure dialogue between risk owners and Members with the aim of further embedding the risk process and ensuring ownership by keeping appropriate Members up to date with relevant risks which in turn, should ensure that there are no surprises when we report at Committee and also equips them to field any questions from other Members. There is also now the ability to make any links between operational risks and project risks along with links to performance indicators; the relevant risks will also be reflected in performance reporting.

Previously operational risks have only been captured on a sporadic basis and where registers have existed, they have not been in a consistent format or located in one central location. New operational registers have now been created and each service area sits under their appropriate Strategic theme. These registers also include the cross reference to performance indicators and projects where relevant. A ‘last updated’ field has been included to give a clear indication of how current the risks are. The risk officer will prompt service managers to update their operational registers in line with the quarterly update of the significant register so that any areas for concern on the operational registers, can be highlighted for consideration onto the significant register which is reported on quarterly to SLT, half yearly to Cabinets and annually to JASC. Operational risks will feature as an agenda item at SLT quarterly risk update sessions to ensure oversight.

A short presentation was given at Corporate Managers Network in January by Claire Crascall (risk management) and Jeanette Stockings (performance), detailing what was required of them to complete their operational register and equipping them with the tools to do so. Guidance notes have been created and are also available on Connect. Claire is periodically checking to confirm which service areas still need to complete their registers as this is still in the early stages and has offered smaller sessions to assist the completion of these where officers have requested.”

48.2 Members noted the position.

#### **49 JAC/17/22 CODE OF CONDUCT COMPLAINTS MONITORING REPORT**

49.1 The Assistant Director – Law and Governance and Monitoring Officer, introduced Report JAC/17/22 which detailed the Code of Conduct complaints received or determined since the last time such complaints were reported to Committee.

49.2 Members were advised that the number of complaints had increased compared to the previous report, however there were three parishes which had received multiple complaints around the same issue. An enquiry was made as to whether some Councillor training could be offered if an allegation is made against them.

**It was RESOLVED:-**

**That the content of the report be noted.**

**50 JAC/17/23 FORWARD PLAN**

50.1 It was requested that future Forward Plans were to include the whole calendar year.

**It was RESOLVED:-**

**That the Forward Plan be noted.**

The business of the meeting was concluded at 11.18 a.m.

.....

Chairman

# Agenda Item 8

## BABERGH DISTRICT COUNCIL AND MID SUFFOLK DISTRICT COUNCIL

<b>From: Corporate Manager – Internal Audit</b>	<b>Report Number: JAC/17/25</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 14 May 2018</b>

### JOINT ANNUAL GOVERNANCE STATEMENT 2017/18

#### 1. Purpose of Report

- 1.1 The purpose of this report is to enable the Committee to be satisfied that the Joint Annual Governance Statement (AGS), to accompany each Council's financial accounts 2017/18, properly reflects the risk environment and any actions required to improve it.

#### 2. Recommendations

- 2.1 That Councillors satisfy themselves that the Joint Annual Governance Statement (AGS) 2017/18 (Appendix A to this report) properly reflects the governance environment and any actions taken to improve it.
- 2.2 That subject to 2.1 above, the AGS be endorsed subject to the Assistant Director – Law & Governance and Monitoring Officer being authorised to make any minor amendments and corrections prior to the Statement being finalised for publication.
- 2.3 Further that approval of any significant amendments identified by the Assistant Director - Law & Governance and Monitoring Officer be delegated to her in consultation with the Chairs of the Committee.
- 2.4 That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of both Councils.

#### 3. Key Information

- 3.1 The preparation and publication of an AGS is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit Regulations 2015.
- 3.2 Governance is about how each Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values, by which the Council is directed and controlled and through which it is accountable to, engages with and, where appropriate, leads communities.
- 3.3 This committee is responsible for overseeing each Council's work around corporate governance.
- 3.4 The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government 2016.

- 3.5 The Annual Governance Statement explains how the Councils have complied with the Local Code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.
- 3.6 The AGS is required to be published to accompany the published Statement of Accounts.
- 3.7 The AGS has been prepared in consultation with key senior officers to reflect the operations of each Council during 2017/18.
- 3.8 The Annual Governance Statement provides an assurance of the effectiveness of each Council's system on internal control. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There have been no governance issues identified during the year that are considered significant in relation to each Council's overall governance framework.
- 3.9 We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council's annual review.

**4. Financial Implications**

- 4.1 A sound system of internal controls forms a significant part of the framework and is essential to underpin the effective use of resources.

**5. Legal Implications**

- 5.1 Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 requires the Councils to conduct an annual review of its systems of internal control and following the review, the Councils must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

**6. Risk Management**

- 6.1 A strong internal control environment contributes to the overall effective management of each Council and will help minimise the risks of each Council failing to achieve its ambitions and priorities, and service improvements.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to regularly monitor and improve the Council's arrangements could weaken corporate governance, have an impact on service delivery and lead to adverse comments from the External Auditor.	Highly Unlikely(1)	Bad (3)	Internal and External Audit help ensure a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 7. Consultations

7.1 The AGS was prepared following input from key senior officers.

## 8. Equality Analysis

8.1 Equality and diversity implications have been considered within the AGS arrangements.

## 9. Shared Service / Partnership Implications

9.1 Through the integration process Babergh and Mid Suffolk have produced a joint AGS while still recognising the separate sovereign nature of the Councils.

## 10. Links to Joint Strategic Plan

10.1 Governance touches all aspects of the Councils' activities. To ensure the successful delivery of the Joint Strategic Plan it is essential that the principles of good governance are applied consistently across the Councils.

## 11. Appendices

Title	Location
(a) Joint Annual Governance Statement 2017/18	Attached

## 12. Background Documents

12.1 CIPFA/SOLACE framework – 'Delivering good Governance in Local Government 2016'

Authorship:  
John Snell  
Corporate Manager – Internal Audit

01473 296336  
john.snell@baberghmidsuffolk.gov.uk

This page is intentionally left blank



# Annual Governance Statement 2017/18



This Annual Governance Statement is presented as a joint statement of Babergh District Council (BDC) Mid Suffolk District Council (MSDC)

## Introduction

The Leaders of each Council and the Chief Executive all recognise the importance of having good rules, systems and information available to guide the Councils when managing and delivering services to the communities of Babergh and Mid Suffolk.

Each year the Councils are required to produce an Annual Governance Statement which describes how its corporate governance arrangements have been working.

## What is Corporate Governance?

Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to help ensure the Councils run effectively, can be held to account for its actions and delivers the best possible outcomes for the communities it services with the resources available.

Babergh and Mid Suffolk District Councils have adopted a Local Code of Corporate Governance that sets out a commitment to corporate governance and summarises the governance arrangements and activities in place to which it accounts to and engages with its communities.

The Local Code reflects the core and sub-principles outlined in the 2016 CIPFA/SOLACE\* Framework, 'Delivering Good Governance in Local Government'.

(\* CIPFA – Chartered Institute of Public Finance and Accountancy, SOLACE – Society of Local Authority Chief Executives)

## The Councils' responsibility in relation to Corporate Governance

Babergh and Mid Suffolk District Councils are responsible for ensuring that its business is conducted in accordance with the law and to proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Councils also have a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Babergh and Mid Suffolk District Councils are also responsible for putting in place proper arrangements for the governance of its

affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

This Statement explains how the Councils have complied with the Local Code of Corporate Governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

The Statement also meets the statutory requirements in section 6 of the 2015 Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an Annual Governance Statement.

## How do we know our arrangements are working?

### Governance framework

This Statement builds upon those of previous years. Many of the key governance mechanisms remain in place and are referred to in previous Statements which are available on the Councils' websites.

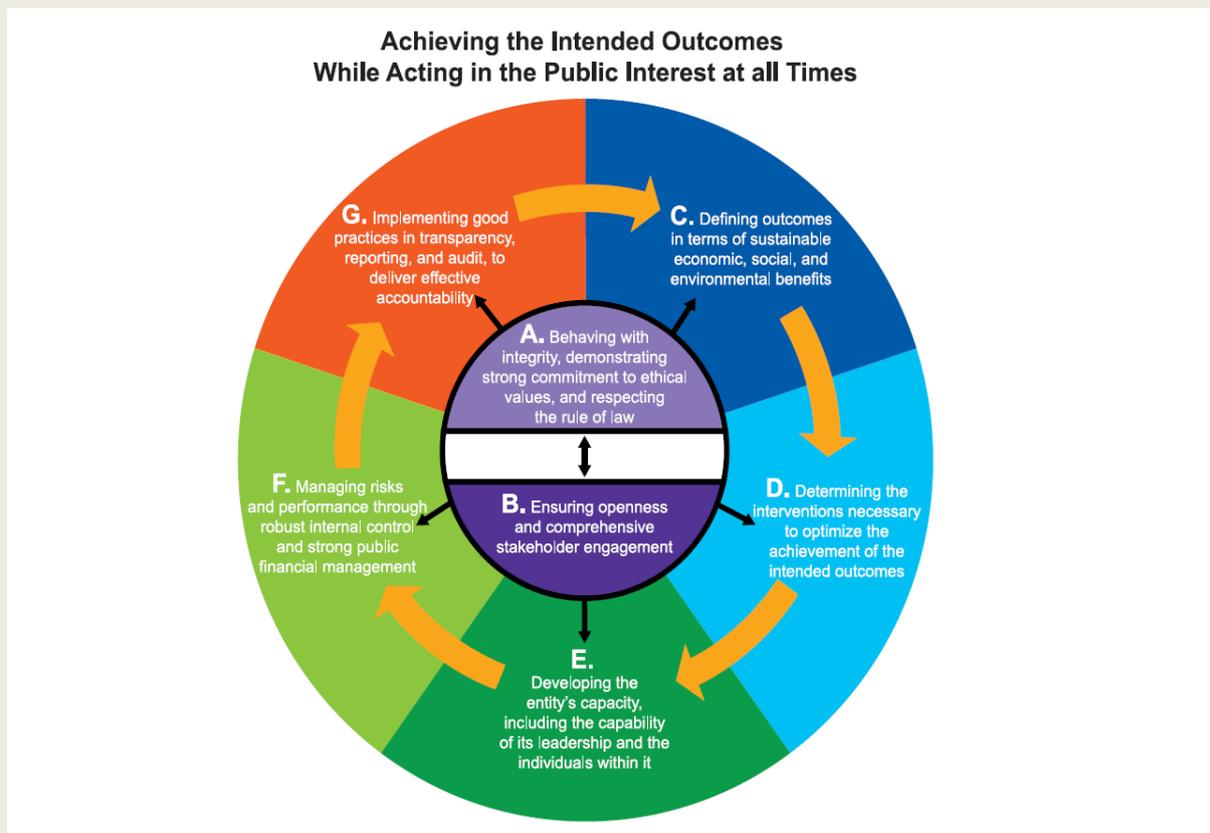
The preparation and publication of the Annual Governance Statement in accordance with 'Delivering Good Governance in Local Government' Framework (2016) fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control and also meets the requirement of 'preparation in accordance with proper practice'.

<b>Assurance Required Upon</b>	<b>Sources of Assurance</b>	<b>Assurances Received</b>
<ul style="list-style-type: none"> <li>• Delivery of Joint Strategic priorities</li> <li>• Services are delivered economically, efficiently and effectively</li> <li>• Management of risk</li> <li>• Financial planning and performance</li> <li>• Effectiveness of internal controls</li> <li>• Community engagement and public accountability</li> <li>• Shared service governance</li> <li>• Project management and project delivery</li> <li>• Commissioning and Procurement processes</li> <li>• Roles and responsibilities of Members and officers</li> <li>• Standards of conduct and behaviour</li> <li>• Training and development of Members and officers</li> <li>• Compliance with laws and regulations, internal policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules)</li> <li>• Council, Cabinet, Strategy, Committees and Panels</li> <li>• Various service policies</li> <li>• Risk Management Strategy and framework</li> <li>• Project management methodology</li> <li>• Strategic Delivery Programme</li> <li>• Outcome focussed performance framework</li> <li>• Medium Term Financial Strategy</li> <li>• Complaints procedure</li> <li>• Head of Paid Service, Monitoring Officer and S151 Officer</li> <li>• HR policies and procedures</li> <li>• Prevention of Financial Crime Policy which includes Whistleblowing and other countering fraud arrangements</li> <li>• Staff and Member training</li> <li>• Codes of conduct</li> <li>• Senior Leadership Team and Extended Leadership Team</li> <li>• Independent external sources</li> </ul>	<ul style="list-style-type: none"> <li>• Regular risk, performance and financial reporting</li> <li>• External audit reports</li> <li>• Internal audit reports</li> <li>• Statutory Officers' Group</li> <li>• On-going review of governance</li> <li>• External reviews and inspectorate reports</li> <li>• Customer feedback</li> <li>• Peer reviews</li> <li>• Council's democratic arrangements incl, scrutiny reviews and the Joint Audit and Standards Committee</li> <li>• Staff surveys</li> <li>• Community consultations</li> </ul>

## Core Principles of Good Governance

The diagram from the *International Framework*, below illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

A summary of the local arrangements in place for 2017/18 to comply with each of the principles is set out on the following pages.



## Principle A: Behaving with Integrity and respecting the rule of law

The Councils' Local Code of Corporate Governance recognises the Seven Principles of Public Life (the Nolan Principles) as underpinning all local government activity.

The standards of conduct and personal behaviour expected of Members and officers, and its partners are defined and communicated through Codes of Conduct and protocols and the Councils' Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these Codes and protocols. Each Council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Council's Code of Conduct and sets out how the Council will deal with allegations of a failure to comply with the Council's Code of Conduct.

The Councils have a Joint Audit and Standards Committee to promote and maintain high standards of conduct by Members and deal with any allegations that a Member is in breach of the Council's Code of Conduct and to consider changes to the Code as required.

The Councils' also have a Prevention of Financial Crime Policy, which includes the Whistleblowing Policy.

The Statutory Officers' Group continues to meet regularly and review processes and procedures as well as any breaches that may have occurred to establish lessons learned. Work is underway to ensure the Councils' readiness to implement the GDPR in May 2018.

**Moving forward** - A small number of senior officers have been tasked with facilitating the development of a set of core values across both Councils. It is intended that the core values will support the vision, shape the culture and reflect what the Councils value and how we operate. They will be developed in consultation with all staff across the organisation and will then form the essence of the Councils' identity. Establishing strong core values provides both internal and external advantages in terms of decision-making processes and educating our stakeholders. Once established they will underpin how we go about our everyday business.

## Principle B: Engaging with People and other Stakeholders

The Councils strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections

of the community have different priorities and establish robust processes for dealing with these competing demands. E.g. through tenant engagement activities; engagement with our communities including a telephone survey of 4,000 residents; and our 'Open for Business' programme.

The Councils have published an annual report giving information on the Councils' vision, strategy, plans and financial statements as well as information about outcomes and achievements.

The Councils' publication of the forthcoming decision list gives a minimum of 28 days' notice of proposed key decisions to be made by the Cabinet or by officers under delegated authority.

**Moving forward** – The Councils are refreshing their Customer Access Strategy, which will build on; our vision of improving public access, making it easy for customers to do business with us, ensuring our channels are effortless to navigate, promote individual and community self-service and services which are available when our customers want them. The Strategy will focus on 4 overlapping customer themes including: insight/understanding, access, experience and organisational customer focus. This will ensure we are working towards providing excellent access to our services for customers.

## Principle C: Defining Outcomes – The Council's Vision and Priorities

In February 2018 the Councils approved the Joint Medium Term Financial Strategy (MTFS). This confirms the direction of travel, in that the Council continues to develop a business model to respond to the financial challenges.

The MTFS is subject to ongoing review to ensure a clear financial situation can be demonstrated and is supported by quarterly financial monitoring reports to both Cabinets.

The Councils have produced a Joint Medium Term Financial Strategy, which sets out the Councils' approach for delivering our strategic priorities and the management of our finances.

The Councils place reliance on the work performed by our External Auditors to ensure we have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Performance – Assistant Directors and Cabinet Portfolio Holders have identified the key performance indicators that make up our new outcome performance framework.

The framework is built on a system of tracking and influencing (lead and lag) indicators, focussed on measuring delivery of the Joint Strategic Plan.

Housing Revenue Account (HRA) – summary of the 30-year business and financial plan 2017 update, which last year provided how management of the HRA is being adapted to meet evolving needs and demands and to reflect legislative, financial and technological change. It also sets out a roadmap for the transformation of the role of local authority housing and the HRAs in light of the significant financial challenges caused by changes to government policy, the emerging Suffolk work on housing delivery and the Government’s White Paper ‘Fixing our Broken Housing Market’ to create a sustainable and robust plan for the future. This plan is continually being updated, and in late 2018 a Housing Strategy will be launched detailing the Councils’ vision for housing in the future taking into account the changing landscape.

Economic Strategy for Norfolk and Suffolk (2017 to 2036) - New Anglia Local Enterprise Partnership has since February 2017 been working with local authorities and businesses to develop a new Economic Strategy – providing the blueprint for how the LEP and its partners will work together to deliver economic growth across Suffolk and Norfolk. The partners recognise that by working together, they can create a bigger impact and the Strategy will support this. Once the Strategy has been adopted, action plans (thematic and place-based) will be produced which will influence a wide range of key decisions. This work, and the emerging Suffolk Framework for Growth, will be reflected in BMSDC’s local district level economic, infrastructure and housing suite of aligned strategies. The Councils have adopted their own ‘Open for Business’ Strategy aligned to that of the New Anglia Local Enterprise Partnership’s Economic Strategy.

Leisure, Sport and Physical Activity Strategy (2017 to 2030) – The Strategy has been developed through a cross party Councillor Task and Finish Panel and through consultation with key stakeholders. The Task and Finish Panel established the Councils’ vision, strategic aim and priorities; and identified what the areas of focus for the Councils should be, what the Councils should continue to do, what should be supported and enabled and what the Councils might cease to do. The strategy forms part of an integrated strategic framework and its success will be inextricably linked to decisions and outcomes from other pieces of work that are currently being developed. A key piece of work in this regard is the strategic review of our Leisure Facilities which will identify key decisions relating to the future operation and investment in the Councils’ leisure facilities, some of which have already been made. This is intended to identify ‘invest to save’ opportunities that will provide the Councils with the opportunity to consider redirecting budgets from the Councils’ contract management of its leisure facilities to support the delivery of the wider strategic priorities in the Leisure, Sports and Physical Activity Strategy.

In November 2016, an incorporated group company structure was approved, which included; MSDC (Suffolk Holdings) Ltd; BDC (Suffolk Holdings) Ltd and a jointly owned capital investment company called CIFCO Capital Ltd. To ensure the safe and

effective delivery of the Council's commercial and investment projects and maximise financial returns, both Cabinets approved the set-up of a distinct business unit called BMS Invest.

Subsequently a BMS Invest Governance Strategy was produced setting out the governance arrangements for BMS Invest, including the terms of reference for the Holding Company Boards, audit and scrutiny arrangements and relationships between the Holding Company Boards and any wholly owned subsidiaries. The Strategy details an annual cycle of reviews, reporting and compliance to ensure safe and effective delivery and timely reporting to shareholders.

**Moving forward** - The Councils will need to develop a procurement strategy by mid-2018 that will set out options for the future management of the Councils' leisure facilities. The future contractual management arrangements will have a greater emphasis on the delivery of the Councils' wider strategic objectives and will be a key factor in the delivery of the Councils' strategy. The Councils will also need to develop an action plan and key performance indicators with its key stakeholders for the delivery of the Leisure, Sports and Physical Activity Strategy.

In addition, the Councils will look to develop an Environment Strategy; Housing Strategy; and Communities Strategy, as well as a refresh of the Councils' Joint Strategic Plan.

## Principle D: Determining Interventions: Financial Governance Arrangements

The Medium Term Financial Strategy is under ongoing review to ensure a clear financial situation can be demonstrated.

Financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role and the Chief Financial Officer in Local Government (2016).

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision, appropriate staffing structure including appropriately skilled, trained or qualified staff, and a system of delegation and accountability.

The Councils' framework of internal financial control is supported by Financial Regulations and Contract Standing Orders. The regulations provide the framework for managing the Councils' financial affairs. They set out the procedures that the Councils have adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services.

**Moving forward** – During 2018/19 work will be undertaken to develop a finance strategy 2019-22 and focussed work to deliver a balanced budget for the 3-year period.

### Principle D: Determining Inventions: Monitoring Performance

Our outcome performance framework enables officers, Councillors and Communities to track progress against the delivery of the Joint Strategic Plan, understand our key risks and share in the celebration of our achievements. Performance data is available and visible on a quarterly basis, with formal reporting half-yearly to both Cabinets.

The outcome framework shifts us from the traditional measurement of outputs and inputs, to one that focuses us on measuring the desired results and outcomes of our key projects, activities and services, and in particular the impact we have on our communities. It provides a strong evidence base for service improvement and transformation, and facilitates better decision making and the efficient use of our resources.



Our performance approach aligns with our approach to managing our team and individual performance. It helps to embed performance management as the cultural norm, through discussions in team meetings and with individual performance conversations at regular 1-1s.

The Councils have produced a set of achievements for the year and encouraged Councillors to promote these at their Town and Parish Councils. The Councils have also produced an annual set of corporate priorities for internal use.

**Moving forward** - Specific health of the organisation indicators are being developed with our Senior Leadership Team to ensure regular internal monitoring.

**Moving forward** – Each service area to produce an annual service plan to give a detailed picture of how the Councils will operate designed to align current delivery arrangements with changing patterns of demand, making the most effective use of available and future resources. Each service plan will detail the following:

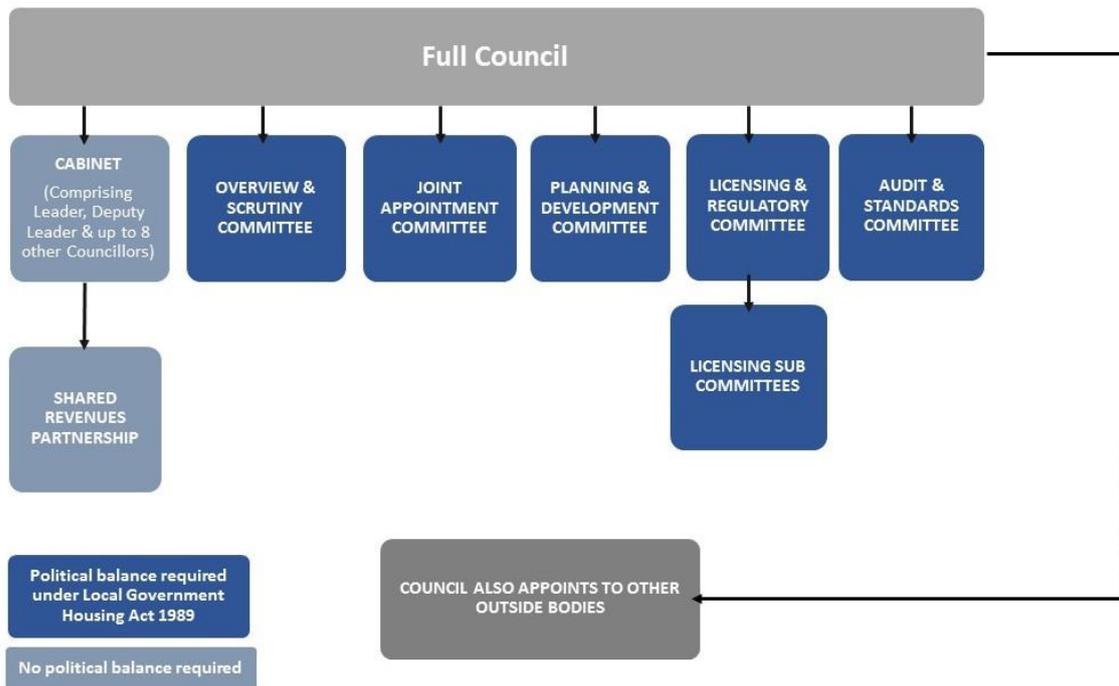
- Sets out the key activities the service area delivers;
- Reflects on the key service activity and achievements for 2017-18;
- Sets out the key targets for the service area and the resources allocated to achieve these targets;
- Identifies the main risks and performance measures associated with the delivery of the service;
- Provides a high-level workforce development plan for the service.

Each service plan to be ‘signed off’ by senior management and will be used throughout the year to manage service delivery.

### Principle E: Leadership Capacity and Capability – The Council’s Political Management Structure

The following diagram shows the Council’s political structure for 2017/18 which mirrors one another in their make-up. Councillors from each council meet together as a Council. Meetings are generally open to the public and feature a main topical debate item. Each Council has an approved Constitution which details how the Councils operate, how decisions are made and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The Monitoring Officer ensures that the Constitution remains fit for purpose, that legal requirements are met and that the public interest is paramount in all decision making.

## Governance Structure of Babergh and Mid Suffolk District Councils



The Councils have moved to a Cabinet model and under its governance arrangements structured its processes and procedures for both Cabinets plus other Committees such as the regulatory ones, to minimise the risk of it acting in contravention of its policies and external laws and regulations.

The Chief Executive is the Councils' Head of Paid Service and is responsible for the Councils' vision and leadership supported by the Senior Leadership Team (SLT). The Chief Executive leads the organisation to achieve demanding strategic goals, ensuring that SLT drives performance that focuses on outcomes and delivery. The Chief Executive has strong and productive relationships with all stakeholders, working especially with the Leaders of the Councils and their senior councillor colleagues.

The Councils also appoint officers, qualified to undertake statutory responsibilities, such as:

- Chief Financial Officer as contained in the Local Government Act 1972 – S151 – responsible for ensuring the proper administration of the Councils' financial affairs; and
- Monitoring Officer as contained in the Local Government and Housing Act 1989 – S5 – responsible for ensuring that decision making is lawful and fair.

Skills required by Members are assessed through the Organisational Development Plan to ensure they are adequately equipped to enable their roles to be carried out effectively.

Skills required by officers are assessed through the appraisal process to identify and address any training gaps, to enable roles to be carried out effectively.

## Principle F: Managing Risks – The Councils’ Risk Governance Arrangements

The Councils consider and counter risk across a broad range of areas supported by an approved Risk Management Strategy. As part of good governance, the Councils manage and maintain a register of its Significant risks which are linked to the Councils’ priorities and reviewed and monitored on a quarterly basis.



The Joint Audit and Standards Committee receive an annual report entitled ‘Managing the Risk of Fraud and Corruption’ that provides a summary of the outcomes of our work to deter, prevent and detect frauds and corruption.

Internal Audit has produced a Fraud Risk Register, which contains a list of areas where Internal Audit and service managers believe the Councils are susceptible to fraud. The register enables the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the Internal Audit planning process.

Internal Audit has also produced a single document entitled ‘Prevention of Financial Crime Policy’ which includes the Whistleblowing Policy, which is available to all staff on the Councils’ intranet.

Information governance issues including processes, procedures and breaches are now taken to and reviewed by the 'Statutory Officers Group', which meet regularly throughout the year.

Each committee report is required to be formally signed off by a representative in Legal, Finance and Internal Audit – Risk to ensure due consideration has been given by the author to address areas before the report is released to Councillors.

The Councils consider their Internal Audit and Risk Management Services team to be a key component of its governance framework.

As part of demonstrating the efficiency and effectiveness of the internal audit activity and identifying opportunities for improvement, the Corporate Manager for Internal Audit must develop and maintain a Quality Assurance Improvement Programme that covers all aspects of the internal audit activity. This includes an annual self-assessment undertaken by the Corporate Manager Internal Audit against the Public Internal Audit Standards (PSIAS) for Internal Audit in Local Government in the UK. The self-assessment is shared with the Assistant Director – Corporate Resources and concluded that the system of Internal Audit is effective. In addition, PSIAS require that an external assessment is undertaken at least once every five years. An external assessment was carried out in February 2018. The External Assessor identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. The team were commended for their structured and focussed approach. Auditees clearly value their input, requesting reviews, consultancy and their advice. A few minor areas were identified, which are being addressed.

One of the key assurance statements the Councils receive is the annual report and opinion of the Corporate Manager – Internal Audit. In respect of the twelve months period ending March 2018, his opinion over key business processes and systems reviewed was that the Councils' governance, risk and internal control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective' – systems described offer most necessary controls.

Where issues have arisen during the year, action plans have been agreed with relevant managers to address the weaknesses identified.

**Moving forward** - Internal Audit will look to further embed risk management across the Councils, particularly at an operational level and develop stronger links to performance.

## Principle G: Delivering Effective Accountability

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

- Quarterly financial monitoring reports to Cabinet
- Quarterly performance monitoring reports to Cabinet
- Annual publication of the Statement of Accounts
- Publication of the Annual Governance Statement.

We comply with the Local Government Transparency Code and publish all required information in a timely manner.

We have in place effective transparent and accessible arrangements for dealing with complaints.

We maintain an effective scrutiny function which encourages constructive challenge and enhances the Councils' performance overall.

## Governance issues identified in 2016/17

In response to the 2016/17 review of internal control governance, and the identification of particular governance issues, the Councils have taken action to address these through actions in 2017/18. Detailed below are the governance issues highlighted in the 2016/17 Annual Governance Statement followed by action taken in 2017/18.

2016/17 governance issue	Action taken 2017/18
<p><i>Cabinet-Leader model</i></p> <p>Continued discussion and agreement of the wider opportunities for governance reform and new ways of working need to be considered beyond May 2017. A significant factor in any governance change is that of cultural change and ensuring the continuation of fully open, transparent and accountable ways of working.</p> <p>This reflects advice that CfPS has given to other local authorities embarking on review and change of their governance arrangements. This approach will allow</p>	<p>Cabinet model adopted across both Councils - both Councils have continued to work closely together, undertaking simultaneous Cabinet meetings, joint scrutiny meetings and joint member briefings to ensure a fully accountable open and transparent decision-making process. All options for governance reform have been examined in full with a business case for a single council being put forward for consideration. Very recently</p>

<p>different methods and systems for decision-making to be discussed and experimented with, modified and refined over time.</p>	<p>proposals for a unitary Council have also been put forward by the County Council which is another option that will be explored fully by both councils.</p>
<p><i>Finance business model</i></p> <p>With the councils having more responsibility for the level of funding they receive we recognise that we will need to keep our financial strategy under constant review and adapt our business model to continue to respond to the challenges.</p> <p>Further development of the business model will focus on:</p> <ul style="list-style-type: none"> <li>• Maximising income and incentivised funding;</li> <li>• Using one off or temporary money to generate ongoing funding and income streams or to reduce our costs;</li> <li>• Not simply monitoring and managing resources and what we spend but 'resource weaving' to make sure that the funds that are available work together, complement each other and produce the maximum outcomes across different activities and with different partners. We need to ensure that our resources are being used to their optimum effect;</li> <li>• Exploring and seizing new opportunities and ventures that are innovative and will deliver a rate of return on investment that supports the Medium Term Financial Strategy; and</li> <li>• Being more commercial, using prudential borrowing and other available funding to deliver 'profit for purpose' and new income streams.</li> </ul>	<p>The Councils have aligned and allocated their individual resources in line with the priorities set out in the Joint Strategic Plan and to essential services.</p> <p>Both Councils now share their headquarters with Suffolk County Council, so that they are co-located with key partners and have introduced an 'agile' way of working for staff. This will generate savings in the Councils overheads in the future and greatly increase our efficiencies.</p> <p>The Councils adopted an Asset and Investment Strategy in November 2016, to utilise the prudential borrowing facility available to them. The Strategy comprises of three strands, Investment, Regeneration and Development of Assets. The Strategy provides the framework for the Councils to jointly invest in commercial assets to generate long term revenue income streams, invest independently or jointly to deliver new homes, jobs and regenerate local areas and make best use of our own and the wider public sector assets.</p> <p>In October 2017, both Cabinets endorsed a new investment and commercial delivery business unit model, which will be called 'BMS Invest'.</p>

*Information Governance*

Our focus for next year is:

- Moving into Endeavour house, whilst still providing a first-class service out in the Districts;
  - Joining up our Planning, Building Control, Enforcement Control and Land Charges system so we have a single joint system between Babergh and Mid Suffolk. This will allow the service areas to integrate and enable staff to deliver a first rate, consistent service;
  - We are looking to store more information in the Cloud making it more accessible to staff and Councillors; and
  - Develop our Business Intelligence capabilities; sharing data with partner organisations that will allow authorities as a whole to share, analyse and make better more holistic decisions on how to direct our budgets effectively.
- We have digitized well over 1.2 million documents – this has meant we have been able to reduce the amount of storage required at Endeavour House, but more importantly has enabled staff to work in more agile fashion getting access to documents from home or on the move.
  - We are now on a single planning system for Planning, Building Control, Enforcement Control and Land Charges. Whilst we are still ironing out some problems it has meant we now have a consistent set of processes to deal with applications.
  - Our Internet, Intranet, email and Finance system and Waste management system all reside within the cloud now.
  - We still have aspirations to further develop our business intelligence capabilities.

*Performance*

Performance monitoring is essential if we are to track our progress in delivering the key outcomes outlined in the Joint Strategic Plan. Monitoring projects and activities and discussing individual performance (through 1-1 conversations) is vital for performance management and for us to reach our intended goals.

Our performance outcome approach is still in its infancy and we will continue to develop the use of tracking and influencing indicators, and an understanding of our key achievements and impacts in support of the Joint Strategic Plan. We will also continue to embed performance monitoring through ongoing performance conversations that

Reporting of the new outcome framework has commenced and has continued to develop and refine through joint working with our Cabinet Portfolio Members. A challenge session between Portfolio Holders is planned for early May 2018 where a holistic overview will be shared and discussed to ensure that the framework (and its KPIs) are fit for purposes and reflect the activities in the Joint Strategic Plan and the Councillors priorities.

Our internal Intranet has been developed to house the collection of performance data, ensuring it is visible to staff and Councillors. It sits

<p>facilitate better decision making, service improvement and transformational thinking. Half-yearly reports will be presented in future to the Councils' Cabinets, however data will be collected quarterly with visibility on our internal Intranet sitting alongside our project and programme work. Our traditional output performance information, for each quarter of 2016/17, is available as 'Facts and Stats' on our website. An ambitious plan is in place to build upon this information for 2017/18.</p>	<p>alongside our programme and project, and risk management frameworks, ensuring integration of these key disciplines.</p> <p>Quarterly Cabinet Member reports are presented to Council.</p> <p>Facts and Stats have been subsumed into the performance outcome reporting and/or included in the development of internal 'health of the organisation' KPIs; facts and stats are therefore not now presented in isolation.</p>
<p><i>Risk Management</i></p> <p>The Audit and Risk Management Services team will look to further strengthen the risk management process across both Councils. Work of the team will be directed to affect the achievement of the following risk management areas:</p> <ul style="list-style-type: none"> <li>• Promoting the consistent use of risk management and ownership of risk at all levels;</li> <li>• Continual development of the Significant Risk Register and operational/project and programme registers;</li> <li>• Building and maintaining a risk aware culture across the Councils, including appropriate education and training;</li> <li>• Developing, implementing and reviewing the risk management framework and risk management processes to ensure they remain fit for purpose;</li> <li>• Linking with other functions of the Councils, namely Health and Safety and Performance Management.</li> <li>• Reporting, escalating and communicating risk management issues to key stakeholders.</li> </ul>	<p>Work to further embed Risk Management within the Councils has continued and the following achieved:</p> <ul style="list-style-type: none"> <li>• Quarterly SLT risk sessions with open challenge structured by Agenda with decisions minuted;</li> <li>• Addition of Cabinet Lead Members to all significant risks to strengthen communication and ownership;</li> <li>• Linkages to performance and projects within the Significant Risk Register;</li> <li>• Creation and development of Operational and Project risk registers with training and support provided;</li> <li>• Alignment of the Risk Matrix for Health and Safety purposes;</li> <li>• Continuing review and sign-off of risk section of Committee reports; and</li> <li>• Overview of the Operational Risk Registers and escalation of risk concerns to Assistant Director level.</li> </ul>

*Commissioning and Procurement*

The Councils will be implementing a Contract Management System during 17/18 enabling improvement in transparency and management of contracts, this will follow the updating of the tendering system.

An electronic supplier portal to the Councils' Finance system will be implemented in 17/18 enabling suppliers to have access to real time information with regard to their purchase orders from the Councils and payment of invoices. Suppliers will also be able to submit invoices through the portal which will improve the Councils' payment processes.

The eTendering system has been updated and the contract management system is now available. Completion of the implementation across the Councils was delayed due to the relocation of offices and will be completed in 18/19.

The implementation of the supplier portal has been delayed into 18/19 due to software delays with the system provider.

**Conclusion**

The Annual Governance Statement provides an assurance of the effectiveness of each Council's system on internal control. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. There have been no governance issues identified during the year that are considered significant in relation to each Council's overall governance framework.

We are already addressing the key governance risks and challenges set out in this Annual Governance Statement and will continue to do so over the coming year to further strengthen our governance arrangements. We are satisfied that these steps will continue to address the need for any improvements that are required and that arrangements are in place to monitor the issues raised as part of each Council's annual review.

Signed .....

Arthur Charvonia, Chief Executive

Date .....

Signed .....

John Ward, Leader of the Council – Babergh DC

Date .....

Signed

Nick Gowrley, Leader of the Council – Mid Suffolk DC

Date .....

This page is intentionally left blank

# Agenda Item 9

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From: Corporate Manager – Internal Audit</b>	<b>Report Number: JAC/17/26</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of meeting: 14 May 2018</b>

### ANNUAL INTERNAL AUDIT REPORT 2017/18

#### 1. Purpose of Report

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within the Internal Audit Service for 2017/18 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

#### 2. Recommendations

- 2.1 That the contents of this report, supported by Appendix A, be noted.

#### 3. Financial Implications

- 3.1 There are no direct financial implications arising from this report. All Internal Audit recommendations must be considered in terms of their cost effectiveness.

#### 4. Legal Implications

- 4.1 There are no direct legal implications arising from this report.

#### 5. Risk Management

- 5.1 This report is not linked with any of the Councils' Significant Business Risks. The key risk, however, is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely 2	Bad 3	Councillors receive and approve the internal audit work programme and other reports on internal controls throughout the year. The work programme is based on an assessment of risk for each system or operational area.

#### 6. Consultations

- 6.1 The 2017/18 Internal Audit Plan was approved by the Joint Audit and Standards Committee on 13<sup>th</sup> March 2017 (Paper JAC100), having previously been endorsed by the S151 Officer and the Senior Leadership Team.

- 6.2 During preparation this report has been shared with both Chairs of the Joint Audit and Standards Committee; Cabinet Lead Members for Organisational Delivery; the Senior Leadership Team, including the Section 151 Officer and the Assistant Director, Law and Governance and Monitoring Officer.

## **7. Equality Analysis**

- 7.1 There are no equality implications with this report.

## **8. Shared Service / Partnership Implications**

- 8.1 The overall approach has been to develop a single shared model for internal audit delivery and management for both Councils.

- 8.2 The Internal Audit delivery builds on past joint working facilitating the integration of the service with the aim of reducing costs and increasing capacity and resilience. It enables both Councils to be in a position to improve service delivery through advocating, supporting and reviewing system processes and outcomes.

## **9. Links to Joint Strategic Plan**

- 9.1 The delivery of a comprehensive Internal Audit service supports the Council objectives, in particular:

An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons.

However, the internal audit coverage is designed to support all five of the Councils' strategic themes.

## **10. Key Information**

- 10.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit to report periodically to senior management and this Committee on Internal Audit's performance relative to its Internal Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

A further requirement is the 5 year review by an external party of the effectiveness of the Internal Audit delivery. This review took place in February 2018 and the External Assessor identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. The team were commended for their structured and focussed approach. Auditees clearly value their input, requesting reviews, consultancy and their advice.

This is a fantastic outcome for the team and the Councils who can confidently place reliance and assurance on the work carried out. The Corporate Manager for Internal Audit would like to take this opportunity to thank all the officers and Members involved in the review.

As part of the preparation for the 2018/19 Internal Audit Plan, auditors engaged with senior management to identify their view of the coming year's risks linked to the Joint Strategic Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions. (Details are contained in the 2018/19 Internal Audit Plan – 12<sup>th</sup> March 2018 JAC/17/20).

- 10.2 As the Councils' Delivery Programme continues and re-shapes and transform its services the demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities continues. The Corporate Manager – Internal Audit monitored requests, with a risk based approach, for the re-allocation of Internal Audit resources from the approved 2017/18 Internal Audit Plan. This Plan has had to be further reviewed subsequent to the loss of a full-time member of the Internal Audit Team. This was offset in part by increasing the hours of one auditor. The Corporate Manager – Internal Audit and the Councils' S151 Officer considered that this realignment of resources did not detrimentally impact on the overall audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit for the present period.
- 10.3 There was due consideration in conducting this Year's audits to ensure that Internal Audit maintained its objectivity and independence. As further demonstration of organisational independence, the Corporate Manager – Internal Audit can confirm that there has been no inappropriate scope or resource limitations placed upon him.
- 10.4 In line with the Councils' Internal Audit Charter the work was conducted to ensure that it delivers against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the work conducted covered the following activities:
- Governance processes
  - Monitoring
  - Ethics
  - Information and Information technology governance
  - Risk Management
  - Fraud management
- 10.5 Audits conducted (as opposed to Audit investigations) are also split into two types, Fundamental and non-Fundamental (Risk Audit) reviews. Historically, Fundamental reviews had been conducted in the latter half of the financial year to meet with External Audit testing requirements.
- 10.6 This year all Internal Audit work has been associated with the Councils' five strategic themes and the attached report, Appendix A, provides a summary of the work undertaken by theme. This work contributes to the 2017/18 overall Internal Audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.
- 10.7 Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2017/18, it is the opinion of the Corporate Manager – Internal Audit that each Council's governance, risk and internal control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective'. (Systems described offer most necessary controls)

## 11. Appendices

Title	Location
Appendix A - Overview of Internal Audit Work	Attached

## 12. Background Documents

12.1 There are no further documents.

Authorship:

John Snell  
Corporate Manager – Internal Audit

01473 296336  
john.snell@baberghmidsuffolk.gov.uk



## Appendix A

### Overview of Internal Audit Work 2017/18

#### 1. Introduction

- 1.1 The work completed by Internal Audit for the Financial Year 2017/18 is reported here to the Joint Audit and Standards Committee.
- 1.2 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and have been further revised on 1 April 2017. The standards require periodic self-assessments and an independent assessment, by an external source, every five years.

This was Babergh and Mid Suffolk District Councils' audit team's first such review. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The review was carried out through a process of interview and document review. Five audits and two consultancy pieces of work were reviewed during the 2016/17 and 2017/18 financial years. In addition, key documents were examined including the Charter and all audit reports to this Committee over the last two years.

The External Assessor identified **no areas of non-compliance** with the standards that would affect the overall scope or operation of the internal audit activity. **The team were commended for their structured and focussed approach. Auditees clearly value their input, requesting reviews, consultancy and their advice.** A few minor areas were identified where the standards have not been followed. The External Assessor made some practical and pragmatic recommendations to address these. The Corporate Manager – Internal Audit agreed an action plan with the External Assessor and these are currently being worked on.

#### 2. Internal Audit Activity

- 2.1. The majority of Internal Audit reviews undertaken in the year were reported to management as "Effective" or "High Standard".

Internal Audit discuss the focus of the brief with Management prior to the start of the audit work. For some audits specific focus was made on key areas of concern and procedures where management were considering structural change. These reviews have returned an audit opinion on the control environment of "Ineffective", and audit continue to support service managers with refining and developing controls. These audits were:

1. Fees and Charges (Management Information for decision making)
2. General Ledger (Reconciliation processes)
3. Receivables / Debtors (Debt Management)
4. General Data Protection Regulation (GDPR)
5. Payroll (IR 35 processing)

These are immediately summarised here, and included in Annex A

2.1.1 Fees and Charges (Management Information): Internal Audit Opinion: “Ineffective”.  
This audit outcome was reported to JASC in November 2017, JAC 17/12.

Key Risk	Issue Raised	Management Response
<p>Councils do not maximise income</p> <p>Councils do not deliver services in a cost effective manner</p> <p>Councils overlook market opportunities.</p>	<p>The allocation of costs to cost centres is undertaken in a general manner, making it difficult to accurately determine appropriate costs against income generation. No contribution or profit can be determined by product and effective evaluation of levels of service require too many assumptions to be made.</p>	<p>“The findings, whilst not unknown by Finance due to Business Partner meetings, provided confirmation of identified weaknesses within the budgetary control environment which need further strengthening”.</p>
<p>Status at report date:  A more robust support and challenge by Finance Business partners and Corporate Manager Finance is introduced.</p>		

2.1.2 Information Governance - General Data Protection Regulation (GDPR). – Internal Audit Opinion: “Ineffective”.  
This audit outcome was reported to JASC in November 2017, JAC 17/12.

Key Risk	Issue Raised	Management Response
<p>Councils are unable to comply with requirements and face censure or fine.</p>	<p>The Councils are under staffed and require resource in completing, what can be anticipated to be, a large body of work up to May 2018 and which will need to be passed to a competent role to maintain and sustain after implementation.</p>	<p>Subsequent to the Audit Report the SLT have approved a Project Manager to assist / support implementation of GDPR.</p>
<p>Status at report date:  Resources are being applied to the project, with regular update to, and review by, SLT. A program of training and communication is in place to move the project forward. Internal Audit have met with the management of the project and will commence a further review of progress during April 2018.</p>		

### 2.1.3 General Ledger: Internal Audit Opinion: "Ineffective"

Key Risk	Issue Raised	Management Response
Control accounts and reconciliations are mismanaged or ineffective and misposting may go unnoticed.	Material arrears in key reconciliations undermine controls.	Staff resources are in place and being trained. These will address the backlog.
<p>Status at report date:                      Reconciliations are now complete and now tidying up and completing records. Finance staff are in the process of retrospectively updating the S151 report for year 17/18.</p>		

### 2.1.4 Receivables / Debtors: Internal Audit Opinion: "Ineffective"

Key Risk	Issue Raised	Management Response
Poor, or lack of, management information on the application of the Debt Recovery policies result in customers with poor credit history ratings continuing to be serviced, and /or accounting report figures that are incorrect.	Debt management has not received as much attention from management and staff over the long term, as is necessary to maintain sound debt recovery and credit management support to Services.	A prolonged period of sickness absence has stalled progress on the planned debt recovery project, however work has now commenced on this project. The findings and recommendations from this audit report will help to inform this, along with support from the audit team and shared legal services. The Corporate Manager Finance is confident that they will be in a more robust position in quarter 2 with the Council's aged debt and recovery procedures.
<p>Status at report date:                      Capture of approach has commenced; a plan of action formulated, agreed and being acted upon. Internal Audit have built time into the 18/19 plan to support this major review of delivery.</p>		

### 2.1.5 Payroll (IR 35 processing)

Key Risk	Issue Raised	Management Response
Penalty or censure arising from incorrect treatment for contractors and temporary employees assessed as inside IR35.	A lack of awareness of the legislation by Corporate Managers. Procedures require clarity on roles and responsibilities.	Management are presently reviewing and discussing actions with audit.
<p>Status at report date:                      Once procedures have been enhanced audit will revisit and test the records for compliance with the Revenue requirements.</p>		

2.2 As well as conducting audit reviews Internal Audit had significant involvement within the period in a variety of different Council activities/issues, which included:

Section Reference:

- 3 Council Governance**
- 4 Risk Management**
- 5 Probity**
- 6 Audits conducted**
- 7 Business support activities**

### **3 Council Governance**

3.1 The Corporate Manager–Internal Audit continues as a lead in the Information Governance management across the Councils, as an attendee of the Information Governance Group. An aim is to outline an information governance framework that ensures both Councils treat information as a valuable asset, maintain compliance with relevant UK and European Union legislation, for example the Data Protection Act 1998 (DPA) and meet other governance requirements. The DPA will be replaced on 25 May 2018 by the Information Governance General Data Protection Regulation (GDPR).

An audit review of the Councils’ ability to comply with the requirements of the GDPR has been undertaken, and is summarised in section 2 and Annex 1.

#### 3.2 Annual Governance Statement (AGS)

Internal Audit has led on the production of the AGS which was completed again as at the end of the financial year 2017/18, presented today to this Committee 14<sup>th</sup> May 2018, alongside an Assurance Mapping exercise across the Councils designed to identify gaps in good practice and aid the 2018/19 Internal Audit planning process. The outcome of the planning was reported to this Committee on 12<sup>th</sup> March 2018 (Paper JAC17/20).

#### 3.3 All Together Programme Board

The Corporate Manager – Internal Audit attended in the capacity of the Assurance Manager.

#### 3.4 Health and Safety Working Group

The Corporate Manager – Internal Audit is called to attend this meeting at appropriate times to provide, and ensure, a robust process exists for risk identification and information gathering.

#### 3.5 Statutory Officers Working Group

The Corporate Manager – Internal Audit attends this meeting when required, should Governance matters arise that require appropriate professional determination.

### 3.6 Deputy Monitoring Officer

The Corporate Manager - Internal Audit undertakes the role of Deputy Monitoring Officer for the Councils, with the specific duty to ensure that the Councils, their officers, and Elected Councillors, maintain the highest standards of conduct in all they do, pursuant to Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.

## 4 Risk Management

- 4.1 Internal Audit continues to maintain and facilitate development of the Significant Risk register with Councillors and Senior Management. As a living document Internal Audit regularly review the content with management and Cabinet in November 2017. The End of Year Significant Risks register is reported to this Committee. (14<sup>th</sup> May 2018). This report also includes areas where we have strengthened the Risk Management process.
- 4.2 Audit have provided support to Corporate Managers in the development of their operational risk registers.

## 5 Probity

- 5.1 Full details of the anti-fraud and corruption work undertaken during the year was reported to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption'. The last report was for 2017/18 and presented on 12<sup>th</sup> March 2018 (Paper JAC17/21).
- 5.2 The Councils' Protection of Financial Crime Policy has been revised and updated (to reflect the amendments by the Serious Crime Act 2015 and the Public Contracts Regulations 2015) and published on the Councils' intranet, 'Connect'. These changes are insignificant and have no impact on the content of the policy.
- 5.3 The data requirements and data specifications for the 2016/17 National Fraud Initiative (NFI) exercise are completed and successfully uploaded using the NFI's secure electronic upload facility.

The release of matches of information across all the contributor's data is managed on a risk based approach by the system users, supported by Internal Audit. The system users access their data from the NFI and can investigate, in conjunction with the matched partner / contributor, to evaluate the potential fraud indicated by the match.

## 6 Audits conducted

- 6.1 In line with the 2017/18 Internal Audit Plan reporting of outcomes is associated with all five of the Councils' strategic themes. The audits undertaken during the Financial Year are detailed in Annex 1.
- 6.2 In line with the findings on the external review Audit clients have expressed a high level of satisfaction with the service delivered, as detailed in Annex 2.

- 6.3 There was due consideration in undertaking this work to ensure that Internal Audit maintained its objectivity and independence. The prioritisation of special work took account of the requirements of the approved audit plan.

Objectivity was maintained in that the auditors had no personal or professional involvement with or allegiance to the area audited. The determination of appropriate parties to which the details of an impairment to independence or objectivity is disclosed was dependent upon the expectations of the activity and was expressed during the planning of each audit.

Annual declarations of interest were signed by each auditor.

## **7 Business support activities**

- 7.1 Internal Audit aim to retain close working relationships with colleagues, and have provided support and advice on proposed system and control developments, enhancements and changes, including budgetary control; systems administration; project and asset management; procurement; and health and safety.

### **7.2 Business Continuity**

Internal Audit has worked with business managers to update the Councils' and individual departmental business continuity plans in preparation for the move to Endeavour House. The current plans for Needham Market and Hadleigh Offices, along with the plan for Endeavour House, are published on Connect. The Plans are "corporate" documents which give guidance to senior managers tasked with leading recovery activities and prioritising resources in the event of an incident.

The March 2018 Yellow Snow warnings experienced across the County tested and successfully demonstrated the Councils' resilience to working remotely from Endeavour House.

## **8. Resources**

As reported to this Committee in the Half Year Audit report, (contained in paper JAC 17/12) the Internal Audit team lost a full-time resource and one part-time member of staff temporarily increased hours by 11 hours per week to March 2018. This caused a reduction in the original audit plan of 126 days. The Corporate Manager – Internal Audit continuously reviewed the delivery of the plan to ensure that coverage and the consequent annual audit opinion were not compromised.

## **9 Professional Practice**

### **9.1 Membership of audit bodies**

It is important to keep abreast of best professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Suffolk Working Audit Partnership (SWAPs) and the Midland Audit Group.

## 9.2 Public Sector Internal Audit Standards (PSIAS)

The team have fully reviewed their working practices to ensure that our Internal Audit documents and processes comply with, and can be evidenced to, the PSIAS. This has resulted in a refining of the Internal Audit Charter Strategy; Internal Audit Services Manual; Internal Audit Risk Log; Quality Assurance and Improvement Programme; procedure notes; and working papers.

Subsequent to this exercise there are no actions outstanding, these documents are published on the Councils' intranet, 'Connect', and remain subject to regular review.

- 9.3 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. The Corporate Manager – Internal Audit (and Deputy Monitoring Officer) is also responsible for overseeing the Risk Management and Business Continuity arrangements across both Councils. Separate Audit Leads are assigned to these two disciplines which allows a degree of independence to be monitored through the Corporate Manager – Internal Audit (and Deputy Monitoring Officer). Each of these roles has an independent sponsor to champion reports and proposals. These are vested in the Assistant Director, Law & Governance and Monitoring Officer, for Risk; and in the Strategic Director, for Business Continuity.

## 10 **Conclusions**

Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2017/18, it is the opinion of the Corporate Manager – Internal Audit that each Council's governance, risk and internal control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective'.



## ANNEX 1

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
<b>6.1 Assets and investment</b>				
6.1.1 Treasury Management	Policy, strategy, procedures and behaviours. Cash management, transaction processing, CHAPS and BACS processing, and reconciliation and oversight.	<p>Discrepancy in loan terms may go undetected.</p> <p>Performance may be poor and go undetected.</p> <p>Errors and anomalies would go undetected.</p> <p>Inappropriate arrangements may be used</p>	<p>No significant or undetected material errors or omissions were determined in banking, investment or ledger postings.</p> <p>Although the monthly S151 reporting does not show levels of interest receivable and payable, this is covered through monthly meetings with the Finance Business Partners following discussions with the Assistant Financial Services Officer.</p> <p>No material control issues were identified during the audit, for BACS or CHAPS payments.</p>	Effective
6.1.2 Receivables (Focus on debt management, analysis and reporting)	The review was scoped with the Corporate Manager, Finance and was specifically focussed on debt management, analysis and reporting.	<p>Debtors procedures do not comply with legislation and the organisation's policies and procedures.</p> <p>Poor or lack of management information on the application of the Debt Recovery policies.</p> <p>Customer with poor credit history ratings continue to be serviced.</p> <p>Accounting report figures that are incorrect.</p>	<p>The Transaction team staff have reorganised to cover the long-term staff absence and have worked diligently to maintain the debtors service.</p> <p>Bad debt management has not received as much attention from management and staff over the long term, as is necessary to maintain sound debt recovery and credit management support to Services.</p> <p>Management recognise and accept Audit's findings and are putting in place an action plan to address these issues.</p>	Ineffective
6.1.3 Shared Revenue Partnership internal processes	Ipswich Borough Council Audit Team undertake review of Shared Revenues Partnership Key Controls, which provides the Corporate Manager – Internal Audit with assurance on the controls exercised over income processing. They have now issued their report for 2016/17.		<p>The report stated that no areas of weakness and/or non-compliance with existing controls were identified and therefore no recommendations have been made.</p> <p><i>(Good: All controls are being applied consistently and effectively. This means that all the control areas in the audit are being properly managed and the associated risks are being mitigated.)</i></p>	Good

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.1.4 Payroll (IR 35 processing)	Follow up previous audit recommendations IR35 - Governance - roles and responsibilities for ensuring compliance to IR35 legislation.	Lack of management awareness, or poor procedures result in penalty or censure arising from incorrect treatment for those assessed as inside IR35.	A lack of awareness of the legislation by Corporate Managers. Procedures require clarity on roles and responsibilities. Follow up testing of 16/17 audit has identified that there are still issues with individuals claiming 'long term' overtime which is contrary to the Overtime Policy.	Ineffective
<b>6.2 Business Growth</b>				
6.2.1 Fees and Charges (Focus on Management Information for decision making)	Review the Service areas <ul style="list-style-type: none"> <li>Setting of fees and charges mechanisms and strategy</li> <li>Review of regulatory constraints and opportunities</li> <li>Market challenges/competitor analysis</li> <li>Cost recovery</li> </ul>	Councils do not maximise income  Councils do not deliver services in a cost effective manner  Councils overlook market opportunities	No council service areas were identified where statutory products and services could be developed.  The allocation of costs to cost centres (both direct and indirect) are undertaken in a general manner. This poor allocation means it is not possible to accurately determine appropriate costs against income generation, and therefore no contribution or profit can be determined by product. This makes effective comparison with external organisations' levels of service meaningless, as too many assumptions would need to be made on the available data.  The auditee response: "The findings, whilst not unknown by Finance due to Business Partner meetings, provided confirmation of identified weaknesses within the budgetary control environment which need further strengthening. A more robust challenge by Finance Business partners and Head of Finance will commence."	Ineffective
6.2.2 Payables	Data Integrity and System Security; Requisitions; Invoice Payment; and Procurement Cards.	The Council pays for goods and services that have not been received.  Fraudulent or duplicate payments could be made.	Data Integrity and System Security controls in Integra are sound and demonstrable.  Requisition controls are sound and demonstrable	Effective

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
<b>6.3 Community capacity building and engagement</b>				
6.3.1 Safeguarding	Communities Safeguarding Leads approached SLT with the recommendation to make this mandatory training for all staff. The audit was commissioned by the Assistant Director – Communities and Public Access to review.	Safeguarding incidents undermine residents' safety and wellbeing Lack of staff and member awareness results in a failure to act Failure of the Councils to meet statutory responsibilities leads to regulatory sanction	Consistently positive feedback on an annual basis from the Suffolk Safeguarding Children Board BMSDC's regulatory compliance has received very good assurances via the S11 reports The Communities Safeguarding Leads are actively networking within other Councils to ensure the highest standards of training and awareness are met  No inclusion in Community Strategic Delivery Programmes or Strategic objectives, despite investment Member training is not mandatory No regular reporting lines	Effective
6.3.2 Community Infrastructure Levy (CIL)	Commissioned by the Assistant Director, Planning for Growth, arising from concerns surrounding complaints from customers	Potential loss of income or failure to apply benefits, fine or censure	<b>Official complaints</b> logged with the councils relating to the CIL process are: 2 for 2016/17 and 0 thus far for 2017/18It is Internal Audit's opinion that the CIL team even though working under challenging conditions with increasing numbers of applications, are providing a good service to customers and also pro-actively looking for ways to improve where possible	Effective
<b>6.4 Housing Delivery</b>				
6.4.1 Open Housing project. (OH)	Prior to the project completion for April 2018 there is a requirement to follow up on a paper submitted to the JASC members in January 2018, following an action arising at JASC November 2017.	The Project introduces changes to a core system and processes, with associated material risks.  Covers the specific Housing Repairs and Planned Maintenance and Servicing activity and does not consider other aspects of the OH operation, such as subsequent IT support and management.	This project has introduced formal discipline with associated framework and documentation, and created a legacy, with a library of process and procedure notes, leaving the Service with a sound platform. The Project Manager's proposed Exit Document, seen only in draft, provides a concise synopsis of the deliverables, successes, issues and outstanding work.	High Standard

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.4.2 Disabled Facilities Grants	A declaration, required for each of Babergh and Mid Suffolk, regarding the use of Disabled Facilities Grant's has been completed and submitted to the Department for Communities and Local Government.	Inappropriate application of, or non-compliance with requirements for, allocation of grant monies.	An audit review of applications for appropriateness and compliance was made prior to the approval of the return and 'signed off' by the Corporate Manager – Internal Audit.	No formal opinion will arise from this.
6.4.3 Housing Rents	Rent Calculation; Income Collection; Arrears Management; Adjustments; Starting and Ending Tenancies; and Security. Rent payments where tenants are in receipt of UC	Rents may not be collected for all relevant properties.  Rent accounts not updated for increases and changes impacting appropriate recovery action.  Universal Credits (UC) are not promptly allocated to Tenants' accounts (as remittances from DWP are omitted) and arrears may accumulate as a result.	The Fixed Asset Register reconciles to the Housing Revenue Account (HRA). HRA and Open Housing (OH) Capita reconciles and is verified by OH Systems Officer and HRA Accountant. Rent expected by Housing according to their records is banked and MFS balances. Unallocated entries are investigated daily in the suspense account for both councils and cleared promptly.	Effective
<b>6.5 An enabled and efficient organisation</b>				
6.5.1 Information Governance General Data Protection Regulation (GDPR)	Determine Council's readiness to comply with requirements. GDPR will come into force in the UK on 25 May 2018 and replace the Data Protection Act 1988. The new regulations are an evolution of existing UK data protection law and aim to harmonise data protection laws across the European Union and put individuals in control of their data.	The Councils appear under staffed and require resource in completing, what can be anticipated to be, a large body of work up to May 2018 and which will need to be passed to a competent role to maintain and sustain after implementation to avoid fine or censure.	From the discussion and review of the Councils' readiness to implement the regulations we can conclude that we appear to be 'behind the curve' in our ability to meet the May 2018 deadline.  Whilst this review was not reported in standard Internal Audit format the report found that majority of 'Steps to compliance' are 'Not implemented or planned'.  Subsequent to the Audit Report the SLT have approved a Project Manager to assist / support implementation of GDPR Internal Audit have met with the management of the project and will undertake a further review of progress during April 2018.	Ineffective

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.5.2 General Ledger	<p>The review was scoped with the Corporate Manager, Finance and was specifically focussed on:</p> <p>Security and Coding Structure; Operational framework; Feeder Systems; Journal and other transactions; Control accounts and reconciliations; and Year End Procedures.</p>	<p>The system is not utilised to its full potential reducing efficiency and increasing errors.</p> <p>Data is corrupted or fraud obscured as direct input to the GL may be unauthorised.</p> <p>Control accounts and reconciliations are mismanaged or ineffective and Misposting may go unnoticed.</p>	<p>At the beginning of the financial year there was an intention in the finance plan to implement the Integra Cash Module to both strengthen reconciliation processes and streamline working practices. Following on from delays in the Capita Upgrade to Integra2 and the loss of 2 of the 3.5 FTEs in the team the decision was made by Finance Management to hold this implementation until 2018/19.</p> <p>A further consequence of the staff changes was the regrading of the roles and appropriate appointments, which were not completed until October 2017, which led to the S151 report returning from the Reconciliation team to the Accounts team.</p> <p>The change of cheques administrative procedures from Customer Services to Finance during the move to Endeavour House has further challenged resources and processing capabilities (subject to a separate audit - Income Collection) Additionally, key elements of the Civica Icon Cash receipting system were removed for an undisclosed period for SCC IT upgrades.</p> <p>Consequent on these material issues reconciliations fell into lengthy arrears, the Monthly ledger close process was interrupted, and the Section 151 report was incomplete.</p>	Ineffective
6.5.3 Capita Financial Systems Upgrade	<p>This upgrade was undertaken in conjunction with Capita support, who host the BMSDC system and platform.</p>	<p>No material risks identified to service delivery, cash receipting and payment mechanisms, with little impact expected on the processes outside of the Integra Systems.</p>	<p>This upgrade is one applying to the 'front end' only. Data Tables and interfaces should not be impacted by this realignment.</p> <p>The upgrade was successfully launched on 28<sup>th</sup> June 2017.</p>	Effective
6.5.4 Income Collection (Cheque Processing)	<p>Concerns were raised by the Professional Lead - Growth and Sustainable Planning, that the posting of cheque receipts were significantly delayed since the location to Endeavour House. Internal Audit undertook a control</p>	<p>Loss or misappropriation of income.</p> <p>Incomplete transaction trail.</p> <p>Incorrect banking occurs and remains undetected.</p>	<p>Whilst there are some concerns over the management of cheques in some service areas, now being addressed, the level of cheque receipts, and hence the control risk, are deemed to be low. The major services receiving cheques were found to be operating successfully.</p>	Effective

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
	review of processes for the acceptance of cheques within BMSDC.			
6.5.5 Termination Letters	At the request of the Chief Executive, Internal Audit were asked to carry out a review of the process undertaken to issue 515 staff letters where 18 (3.5%) were found to be incorrect	<p>Data Protection breach from release of personal data causing possible distress</p> <p>Potential financial penalties and/or damaged reputation if found by the Information Commissioners Office to not be properly meeting our responsibilities under the Data Protection Act</p>	<p>There appeared to be no pattern or obvious reason for the error. The sample testing undertaken by the business to check the accuracy of the addresses on the letters to the spreadsheet was believed to be successful as they were cross checked to the incorrect (but system generated) spreadsheet and not the raw data from iTrent.</p> <p>From a total of 515 staff, the 18 incorrect letters represent 3.5% of the workforce population issued with these letters.</p> <p>Although a cause has not been identified on this occasion, identification of any future occurrences could be picked up by undertaking a reasonable sample check, subject to levels of resources, of personal data between the individual letters and the raw data from the iTrent system for any future mail merges of this nature. Consideration to involving IT expertise may also be contemplated.</p> <p>The Senior Information Reporting Officer (SIRO) should report these breaches to the Information Commissioning Office (ICO)</p>	No formal opinion will arise from this
6.5.6 Electoral Expenses	The Assistant Director of Corporate Resources, s151 Officer; and the Assistant Director of Law & Governance and Monitoring Officer commissioned a review of processes and associated risks following potentially incorrect and untimely payments of BMSDC election expenses.	Incorrect and untimely payments of BMSDC election expenses result in censure, adverse press, and loss of assets.	It is Internal Audit's opinion that no material system or procedural error was made in the processing of Electoral payments in 2017.	No formal opinion will arise from this.

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.5.7 Scanning	Internal Audit provided advice and assistance to Officers in establishing scanning protocols and guidance once staff relocate to Endeavour House.	Loss or mis use of key and sensitive data.	Such protocols include handling of sensitive post, tender documents, etc, in line with good practice.	No formal opinion will arise from this.

**Poor:** Systems described are largely uncontrolled, with complete absence of important controls. Most controls examined operate ineffectively with a large number of non-compliances and key improvements required.

**In effective:** Systems described do not offer necessary controls. Audit tests showed key controls examined were operating ineffectively, with a number of improvements required.

**Effective:** Systems described offer most necessary controls. Audit tests showed controls examined operating effectively, with some improvements required.

**High standard:** Systems described offer all necessary controls. Audit tests showed controls examined operating very effectively and where appropriate, in line with best practice

## Annex 2 Performance review 17/18 & 16/17

#	Performance Indicator	Target	16/17	17/18
1	100% audit recommendations accepted by management.	90%	100%	100%
2	% high priority recommendations being implemented.	100%	100%	100%
3	100% of audit reviews completed in target or prior approved extension by Corporate Manger – IA.	100%	100%	100%
4	Number of days between the issue of brief and start of fieldwork.	10	9	7
5	Number of days between the completion of audit fieldwork and issue of draft report.	10	8	6
6	Number of days between the issue of the draft and final report.	15	12	16
7	Completed to the satisfaction of the auditee.	80%	100%	100%
8	Percentage of the audit plan delivered.	90%	91%	71%

### Note:

1. The time between draft and Final has been influenced by the discussions on management actions arising from audits.
2. The percentage of plan delivered is based on the descoped audit plan presented to the November 2017 JASC following reduction in resources.

- Time charged to Risk Management delivery was more than originally planned
- Deputy Monitoring Role and investigations were more than planned
- More time was spent discussing improvements based on audit opinions than previously envisaged, resulting in better service to the Council

Customer Satisfaction		16/17	17/18
<b>Before the Audit</b>			
Were you given adequate notification of the audit?		100%	100%
Were you informed of the audit objectives?		100%	100%
Were you able to discuss with the auditor the risks you felt should be addressed?		100%	100%
<b>Carrying out the Audit</b>			
Did you feel that an environment of trust and confidence was achieved?		100%	100%
Was the audit carried out in an efficient and timely manner?		100%	100%
If not were you kept informed of the progress towards final report?		100%	100%
Did the auditors work in a professional and helpful manner, with appropriate integrity?		100%	100%
<b>Reporting the Audit</b>			
Were you given the opportunity to discuss the findings with the auditor throughout the audit as well as at draft report stage?		100%	100%
Were the findings adequately supported by evidence?		100%	100%
Were the recommendations in the final report practical?		100%	100%
Was the report issued in a timely manner following testing?		100%	100%
Will the audit improve internal controls?		100%	80%
Will the audit enable you to improve your service		100%	80%
Overall, how would rate the audit?			
	Excellent	70%	80%
	Good	30%	
	Satisfactory		20%

The client responses from both the 2016/17 and 2017/18 illustrate high level of customer satisfaction. The 2017/18 figures are presently based on a limited response.

Supported by findings and conclusion from the recent external review.

Draft Circulation:

Suzie Morley Chair of the Joint Audit and Standards Committee – Mid Suffolk

Frank Lawrenson Chair of the Joint Audit and Standards Committee – Babergh

Derek Davis (Cabinet lead for Organisational Delivery – Babergh)

Glen Horn (Cabinet lead for Organisational Delivery – Mid Suffolk)

Katherine Steel Assistant Director, Corporate Resources

Emily Yule Assistant Director, Law & Governance and Monitoring Officer

This page is intentionally left blank

# Agenda Item 10

## BABERGH AND MID SUFFOLK DISTRICT COUNCILS

<b>From: Assistant Director – Law and Governance</b>	<b>Report Number: JAC/17/27</b>
<b>To: Joint Audit &amp; Standards Committee</b>	<b>Date of meeting: 14 May 2018</b>

### END OF YEAR RISK POSITION STATEMENT AND PROGRESS REPORT

#### 1. Purpose of Report

- 1.1 The report details movements of Significant Risks up to 31 March 2018 and the work undertaken around risk management processes since April 2017.

#### 2. Recommendations

- 2.1 That the contents of this report, supported by Appendix A and B, be noted.

#### 3. Financial Implications

- 3.1 As detailed in the report.

#### 4. Legal Implications

- 4.1 There are no immediate legal implications arising from this report.

#### 5. Risk Management

- 5.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If risks are not managed it will have a detrimental effect on the Councils ability to make the right business decisions	Unlikely – 2	Bad – 3	The Risk Management Strategy, training and reporting arrangements ensure senior management and Members can obtain necessary assurance that the Councils are making every effort to reduce/eliminate risks of not achieving its objectives

#### 6. Consultations

- 6.1 Risk owners were consulted on their relevant risks and the report and register were presented to SLT on 11<sup>th</sup> April, MSDC Cabinet 8<sup>th</sup> May and BDC Cabinet 10<sup>th</sup> May.

#### 7. Equality Analysis

- 7.1 There are no immediate equality and diversity implications associated with this report.

## **8. Shared Service / Partnership Implications**

- 8.1 The overall approach has been to develop a single shared model for risk management for both Councils and the Significant Risk Register attached is a shared document across the two Councils.

## **9. Links to Joint Strategic Plan**

- 9.1 The Joint Strategic Plan and the Work Programme to deliver it covers all of the service delivery and development activity planned to be undertaken across both Councils in the next five years. The way we manage key corporate risk is therefore intrinsic to this strategy and plan of work, and will be embedded in each key activity, project and programme.

## **10. Key Information**

- 10.1 To structure and formalise the risk management arrangements across all functions, Babergh and Mid Suffolk District Councils have developed a systematic and logical process of managing business risk within a comprehensive framework to ensure it is managed effectively, efficiently and coherently across the organisations. The Risk Management Strategy further outlines our approach.
- 10.2 It is the role of the Audit and Risk Management Services team within the Councils to provide support, guidance, professional advice and the necessary tools and techniques to enable the organisations to take control of the risks that threaten delivery. The role of the team is also to provide a level of challenge and scrutiny to the risk owners through regular 1-1 meetings and group sessions.
- 10.3 This report details movements of Significant Risks up to 31<sup>st</sup> March 2018 and the work undertaken around risk management processes since April 2017.

### Significant Risk Register – Current position

- 10.4 The Significant Register and process has been strengthened by including the addition of Cabinet Lead Members for each risk on the register to ensure dialogue between risk owners and Members. It is hoped that this will help further embed the risk process and ensure ownership by keeping relevant Members up to date with risks. This should also help equip Members with the knowledge to field queries from other Members should they arise. The register also now includes the ability to link to relevant projects; these risks will also be reflected in performance reporting. This piece of work is ongoing.
- 10.5 As at March 2018 there are 26 risks on the register, 0 low, 12 medium, 11 high and 3 very high. Mitigation progress for 25 risks are 'on track' with no identified issues, One risk has 'poor progress' (Risk 5j – see para 10.10.4). It is our opinion that the significant risks are being managed appropriately by a robust system of recording, monitoring and reviewing and Members can have confidence and assurance in the systems above. The charts below summarise levels of risk within each theme and should be read in conjunction with the full register (Appendix A) to provide further detail of each risk:

Risk scores:

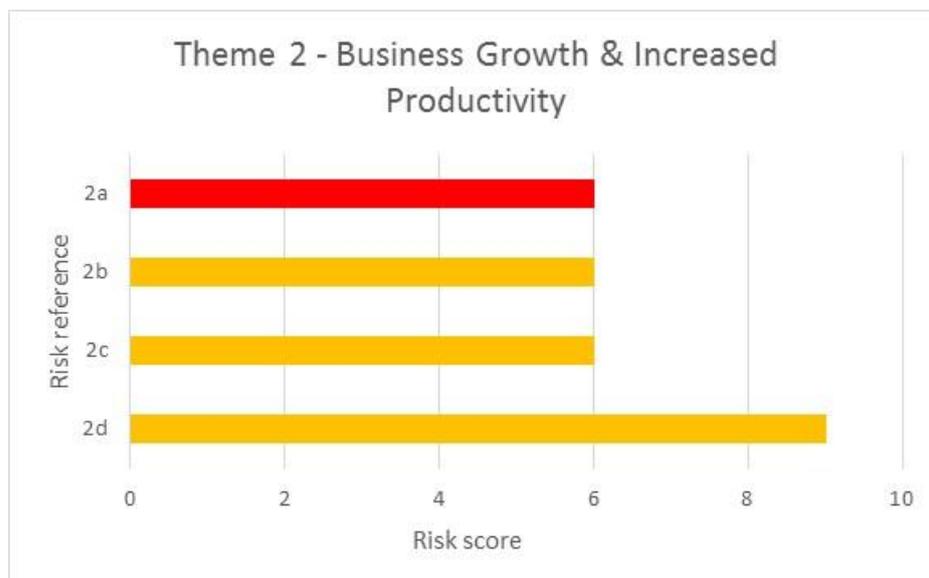


10.6 Theme 1:



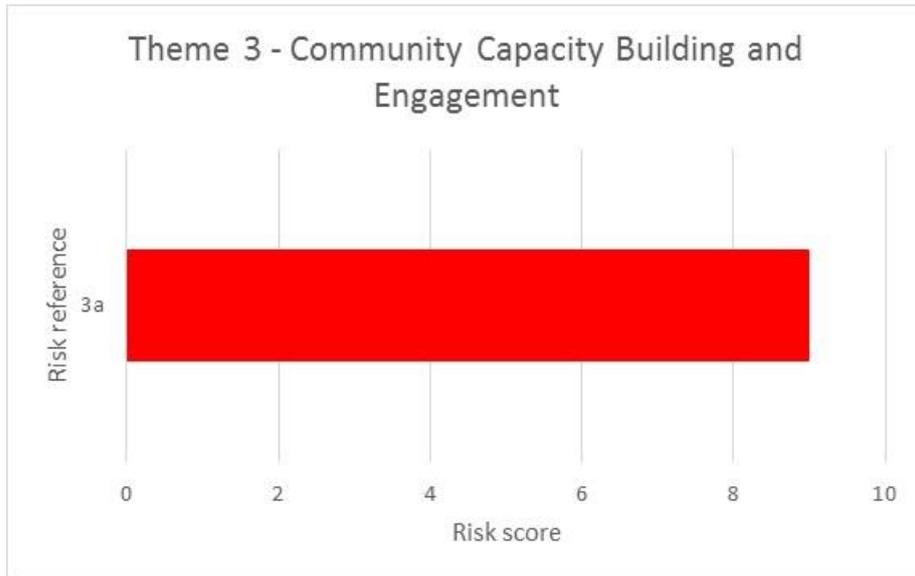
10.6.1 There have been no changes to the risk scorings from the previous quarter, however mitigation progress has been updated to reflect the latest position.

10.7 Theme 2:



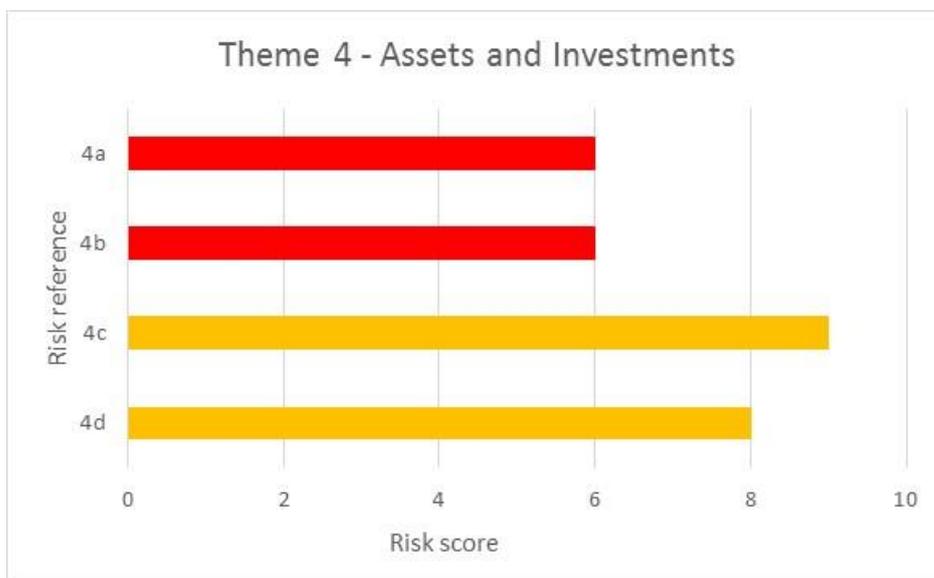
10.7.1 Following group discussion and challenge, the inherent scores for risks 2a and 2b were decreased due to the consideration of external controls in place; 2a – the existence of the LEP reduces the likelihood score; 3b – It was considered the inherent likelihood and impact scores were reduced by the work undertaken by the Town Council and Chamber of Commerce. All current scores remain unchanged from the previous quarter, however mitigating actions have been updated to reflect the latest position.

10.8 Theme 3:



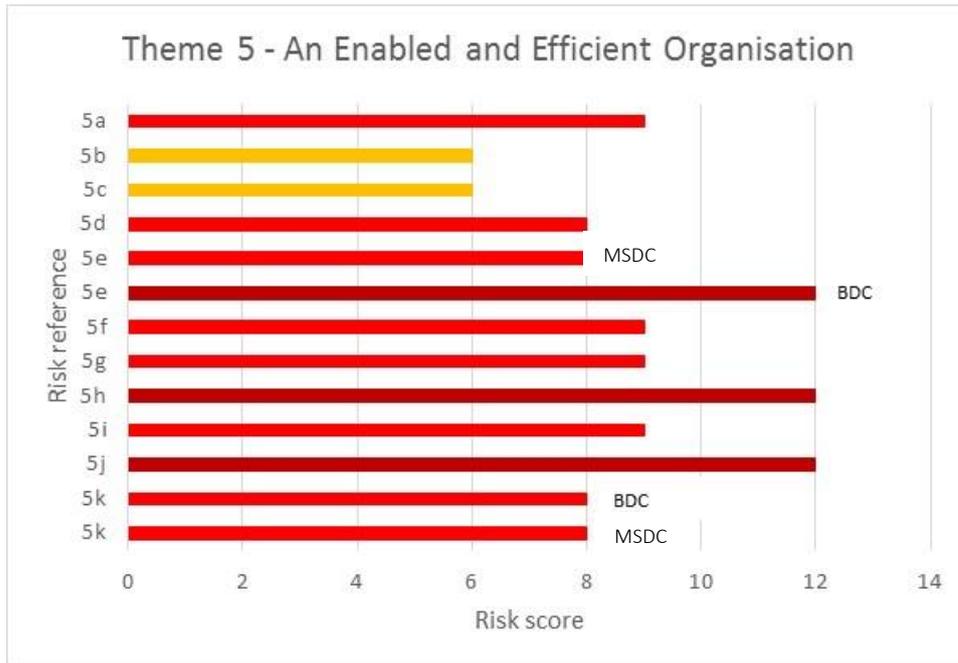
10.8.1 One risk under Theme 3 was removed and amalgamated with 3a – this was ‘*Failure to deliver Neighbourhood Plans*’. It was felt that this area was already being captured within the actions of risk 3a, therefore all mitigating actions relating to Neighbourhood Plans have been updated for this risk.

10.9 Theme 4:



10.9.1 The current score for risk 4c – *If we do not manage our asset portfolio effectively it may result in: lost opportunity; loss of capital value; increased revenue costs and loss of public confidence* has increased from a score of 6 (medium) to 9 (high). This was discussed as a group at the SLT risk review session and agreed that although the likelihood had decreased as a result of mitigating actions, the impact remained at a score of 3.

10.10 Theme 5:



10.10.1 Due to the progression of mitigating actions, two risks under Theme 5 were moved to the appropriate Operational Risk Registers for monitoring and review: *If we do not have robust governance arrangements that enable good decisions to be taken that are appropriate for the environment that we are operating in, then we will be unable to operate effectively and be at risk of potential legal challenge*, and *If SCC does not have a disaster recovery site for all systems hosted in Endeavour House and The Data Centre in Constantine House car park, then this could lead to the risks of integrity and availability of council information and services – off site back up is now in place at Bury St Edmunds.*

Operational registers can be viewed via the Audit and Risk Management section of Connect.

10.10.2 The Inherent score for risk 5e *If we do not understand our financial position and respond in a timely and effective way, then we will be unable to deliver the entirety of the Join Strategic Plan* in relation to **BDC** has had the likelihood score increased from a 3 to a 4 as it was felt that the scores for the two councils should reflect the different positions they are in.

10.10.3 Risk 5h – *If we fail to protect the safety, health, welfare and wellbeing of our employees and other persons to whom we owe a duty of care, then there could be significant consequences at corporate and individuals levels.* The score for this risk has decreased from 16 to 12 following the progress of the H&S action plan and actions put in place, significantly reducing the possibility of financial penalties.

10.10.4 Risk 5j - *If we experience challenges with staff recruitment and retention, then this will start to impact on performance, our income, the costs of potential legal challenge, government scrutiny, staff morale and public confidence*, is a new risk added to the register under Theme 5. Issues with staff retention and recruitment are being experienced particularly within the Planning department currently and actions are being taken to manage this.

- 10.10.5 Risk 5k is a new risk added to the register relating to not working together to realise efficiencies.
- 10.10.6 All other risk scores under Theme 5 remain unchanged from the previous quarter however, mitigating actions have been updated.
- 10.11 All Significant Risks have been plotted on the risk matrix below to provide an overview of levels of risks across the five themes:

Impact / Consequence	Disaster	4		4d, 5d, 5e, 5k	5e, 5h	
	Bad/Serious	3		1c, 1d, 1e, 2a, 2b, 2c, 4a, 4b, 5c	1b, 2d, 3a, 5a, 5f, 5g, 5i	5j
	Noticeable /Minor	2		1a	4c, 5b	
	Minimal	1				
			1	2	3	4
			Highly Unlikely	Unlikely	Probable	Highly Probable
Probability / Likelihood						

10.12 Senior Leadership Team continue to meet quarterly with the Risk Team to review and challenge all risks on the register and discuss current and emerging issues that may require consideration for the register. These meetings are structured by way of an agenda and minutes captured. This provides evidence of the rationale behind the decision-making process.

**Operational Risks:**

- 10.13 A great deal of work has gone into improving and embedding risk management across the Councils in the past year and in addition to enhancements to the Significant Risk Register, Operational Risk Registers have been created. One new amalgamated risk register is now in place which captures significant, operational and project risks all in one place. This excel formatted document is located on the Audit and Risk Management page of Connect and can be accessed by all staff and Members at any point in time. The Operational Risk Registers are living documents which are being updated at any point in time.
- 10.14 Previously operational risks have only been captured on a sporadic basis and where registers have existed, they have not been in a consistent format or located in one central location. New Operational Risk Registers have now been created as above, and each service area sits under their appropriate strategic theme. These registers also include cross references to performance indicators and projects where relevant.

- 10.15 A presentation was given at the Corporate Managers Network meeting in January 2018 by the Risk Officer and Performance Officer, detailing what was required of managers to complete their registers and equipping them with the tools to do so. The Risk Officer has spent a considerable amount of time with various officers assisting them to complete their registers. We are pleased to confirm that all 27 Operational Risk Registers have been populated and are available to view on Connect.
- 10.16 The next steps will be to put a process in place to ensure that these are updated on a regular basis and that there is a mechanism to make sure that these are communicated with relevant Assistant Directors to ensure any risks seen to be escalating, can be considered for inclusion on the Significant Risk Register. Analysis will also be undertaken to identify any generic risks which may pose a bigger risk.

Other work:

- 10.17 The Audit and Risk Management team continue to work with report writers offering guidance and assistance with capturing and recording the appropriate risks and scores in Committee reports. These are 'signed off' before submission to ensure continuity of risk wordings and scorings with the corporate Risk Matrix.
- 10.18 A reputational risk workshop for key staff was due to be held on 1<sup>st</sup> March 2018 but was unfortunately cancelled due to the heavy snow the region experienced. This has now been rescheduled and will be delivered by an external risk expert in May 2018.
- 10.19 Going forward into 2018/19, we aim to further embed risk management across the Councils and hopefully the creation of the Operational Risk Registers will enable this at all levels.

**11. Appendices**

Title	Location
(a) Significant Risk Register	Attached
(b) Risk Matrix	Attached

Authorship:  
 Claire Crascall  
 Audit & Risk Management Officer  
 Tel: 01449 724570  
 Email: [claire.crascall@babberghmidsuffolk.gov.uk](mailto:claire.crascall@babberghmidsuffolk.gov.uk)

Sponsor:  
 Emily Yule  
 Assistant Director – Law & Governance  
 Tel: 01449 724694  
 Email: [emily.yule@babberghmidsuffolk.gov.uk](mailto:emily.yule@babberghmidsuffolk.gov.uk)

This page is intentionally left blank

BABERGH AND MID SUFFOLK SIGNIFICANT RISK REGISTER - MARCH 2018

RISK DETAILS	Risk owner	Cabinet Member Lead	Link to Performance Indicator	Inherent scores			Current scores		
				L	I	S	L	I	S

<b>KEY</b> L = Likelihood I = Impact S = Score	MITIGATION RAG STATUS:	Better than expected progress	On Track	Poor Progress	
	DIRECTION OF TRAVEL (score):	Decreased	Stayed the same	Increased	NEW RISK

**1 - HOUSING DELIVERY**

1a	<b>RISK:</b> If we do not have an up to date understanding of housing need and demand, then we may not know if we are meeting it.	Assistant Director - Planning for Growth	Cabinet Members for Planning		3	2	<b>INHERENT RISK SCORE</b> 6	2	2	<b>CURRENT RISK SCORE</b> 4
	<b>MITIGATION:</b> Having the right evidence base e.g. making use of Suffolk Housing Need Survey and existing Local Housing Need Surveys. Published the Strategic Housing Market Assessment as part of evidence base for Joint Local Plan. Creating Joint Local Plan							Mitigation RAG Status	On Track	Direction of travel (score) Stayed the same
1b	<b>RISK:</b> If we do not have a sufficient, appropriate supply of land available in the right locations, then we may be unable to meet housing needs in the district.	Assistant Director - Planning for Growth	Cabinet Members for Planning		3	3	<b>INHERENT RISK SCORE</b> 9	3	3	<b>CURRENT RISK SCORE</b> 9
	<b>MITIGATION:</b> Current local plans in place, call for sites undertaken. New Joint Local Plan with comprehensive site allocations, currently out to consultation. Continue to endeavour to unblock 'stalled sites'. Outcomes of Scrutiny review							Mitigation RAG Status	On Track	Direction of travel (score) Stayed the same
1c	<b>RISK:</b> If development does not come forward in a timely way, then we may be unable to deliver the right housing in the right locations	Assistant Director - Planning for Growth	Cabinet Members for Planning		3	3	<b>INHERENT RISK SCORE</b> 9	2	3	<b>CURRENT RISK SCORE</b> 6
	<b>MITIGATION:</b> Have Infrastructure and Delivery Officer in post. Have approach to unblocking stalled sites which has been agreed by Executive and Strategy Committees. Develop relationships with Developers e.g. client side panel hosted by Development Management. Working on Infrastructure Strategy and working Suffolk-wide to understand infrastructure funding and delivery. Additional resources provided in Mid Suffolk to bring forward delivery.							Mitigation RAG Status	On Track	Direction of travel (score) Stayed the same

1d	<b>RISK:</b> If we do not secure investment in infrastructure (schools, health, broadband, transport etc.), then development is stifled and/or unsustainable	Assistant Director - Planning for Growth	Cabinet Members for Economy		3	3	<b>INHERENT RISK SCORE</b> 9	2	3	<b>CURRENT RISK SCORE</b> 6
	<b>MITIGATION:</b> Adopted Community Infrastructure Levy (CIL), CIL expenditure framework to be adopted by Council in April, secure investment on infrastructure via planning process (e.g. S106). Creating Strategic Planning and Infrastructure framework (SPIF), creating Local Plan, Infrastructure Strategy, New Anglia LEP Economic Strategy, draft created an awaiting endorsement from Cabinet in October		Cabinet Members for Planning					<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>	
								On Track	Stayed the same	
1e	<b>RISK:</b> If there is an insufficient local supply of appropriate homes for the ageing population, then our communities may experience a reduced quality of life, there will be cost implications to the public sector and there will be a reduced turnover in housing stock	Assistant Director - Housing	Cabinet Members for Housing		3	3	<b>INHERENT RISK SCORE</b> 9	2	3	<b>CURRENT RISK SCORE</b> 6
	<b>MITIGATION:</b> Creating BMSDC Housing Strategy, Creating Joint Local Plan, Health and Housing Charter, Suffolk Older Persons Housing Strategy, Housing strand being developed for Suffolk Growth Programme Board							<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>	
								On Track	Stayed the same	
<b>2 - BUSINESS GROWTH AND INCREASED PRODUCTIVITY</b>										
2a	<b>RISK:</b> If we do not understand the needs and aspirations of our businesses we may not be able to focus our interventions and resources in a way which will provide the right support	Assistant Director - Planning for Growth	Cabinet Members for Economy		3	3	<b>INHERENT RISK SCORE</b> 9	2	3	<b>CURRENT RISK SCORE</b> 6
	<b>MITIGATION:</b> Implementing a two-tier method of Business Relationship Management /Linking our business data and intel into FAME CRM system facilitated by NALEP/ Increasing our direct business engagement with key sectors through our Chambers of Commerce, Growth Hub and other business support organisations/networking opportunities including joint lobbying on significant issues such as major infrastructure and national Industry Strategy / We have increased evidence based including Visitor Economy 'Volume and Value' studies and the draft NLP Ipswich Area Economic Sector needs data now in which is informing our Economic Development Strategy / Economic Open for Business Strategy has now been adopted and published.							<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>	
								On Track	Stayed the same	
2b	<b>RISK:</b> If we do not engage with the communities of Sudbury to develop a 'Vision' which is then supported by a programme of projects, activities and initiatives (including regeneration) which will deliver the 'Vision' we may not maximise the economic potential of our largest market towns.	Assistant Director - Planning for Growth	Cabinet Member for Communities (BDC)		3	3	<b>INHERENT RISK SCORE</b> 9	2	3	<b>CURRENT RISK SCORE</b> 6
	<b>MITIGATION:</b> 1.) Formulation of a delivery programme and action to deliver 'VfP' which sets out milestones, timeline is underway 2.) Regeneration activities through investment programme, collaborations and enabling communities e.g. Gainsborough House, Kingfisher Leisure Centre, Customer Service Centre		Cabinet Member for Economy (BDC)					<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>	
								On Track	Stayed the same	

2c	<b>RISK:</b> If we do not engage with the communities of Stowmarket to develop a 'Vision' which is then supported by a programme of projects, activities and initiatives (including regeneration) which will deliver the 'Vision' we may not maximise the economic potential of our largest market towns.	Assistant Director - Planning for Growth	Cabinet Member for Communities (MSDC)		3	3	<b>INHERENT RISK SCORE</b> 9	2	3	<b>CURRENT RISK SCORE</b> 6
	<b>MITIGATION:</b> 1.) Creation of a framework of projects and programmes to deliver 'Vision' which sets out milestones, timeline is underway. 2) Regeneration activities through investment programme, collaborations and enabling communities e.g. Regal Theatre, former Natwest Bank, Customer Service Centre		Cabinet Member for Economy (MSDC)					<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>	
								On Track	Stayed the same	
2d	<b>RISK:</b> If we do not identify and provide the right amount of employment land and property in the right places our current businesses may not be able to remain in our districts and we may not attract new businesses.	Assistant Director - Planning for Growth	Cabinet Members for Economy		4	3	<b>INHERENT RISK SCORE</b> 12	3	3	<b>CURRENT RISK SCORE</b> 9
	<b>MITIGATION:</b> 1.) The development of our Joint Local Plan 2.) Delivery of an Economic Open for Business Strategy 3.) Provision of officer support and expertise to ensure Space to Innovate and Food Enterprise Zones are delivered within timescales 4.) Our Open for Business engagement approach including with investors, developers and businesses (existing and new) facilitating retention and growth within the district. 5) Planning applications on key employment sites progressing		Cabinet Members for Planning (support)					<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>	
								On Track	Stayed the same	
<b>3 - COMMUNITY CAPACITY BUILDING AND ENGAGEMENT</b>										
3a	<b>RISK:</b> If we do not effectively engage communities about their future needs, then we will not be able to help them become more sustainable	Assistant Director - Communities & Public Realm	Cabinet Members for Communities		3	3	<b>INHERENT RISK SCORE</b> 9	3	3	<b>CURRENT RISK SCORE</b> 9
	<b>MITIGATION:</b> Community capacity added to help communities deliver Neighbourhood Plans, Joint Scrutiny Committee review undertaken, formal mechanisms agreed to consult on the joint Local Plan, Town and Parish Council Liaison meetings in place and frequency increased, Tenant involvement strategy creates a full menu of involvement options, development of locality and resilience model adopted with Suffolk County Council, focus on "placed based" engagement being directed by Communities Team, plans to develop whole organisation framework being developed, start work on Community Strategy to be in place by Autumn 2018							<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>	
								On Track	Stayed the same	

4 - ASSETS AND INVESTMENTS

4a	<p><b>RISK:</b> If the Capital Investment Fund (CIF) is not able to generate the investment returns forecast in its Business Plan; income projections for the Councils will not be met</p> <p><b>MITIGATION:</b> 1) Retaining of treasury advisors to fix best rates over investment period / Use of PWLB rather than commercial borrowing arrangements / Flexibility in structure to seek alternative sources of finance if required / Initial modelling of returns includes for fluctuations in cost of borrowing over time / Looking at other funding options 2) Acquisition policy allows for regional acquisitions as a norm and national acquisitions in extremis /Current progress shows a pipeline of 47% invested within 6 months of trading commencing / Business plan for 2018 reflects latest realities of market place and adjusts sector and Core, Core Plus split / Fully invested yield still targeted at 6% 3) Maintain up to date knowledge of Government thinking on regulatory and emerging policy themes / Make contingency for potential changes as they arise, allow Board flexibility to respond as required / Invest in line with business plan maximum of £50,000,000 before April 2018 when any changes might be enacted.</p>	<p>Managing Director - BMS Investment</p> <p>Assistant Director - Corporate Resources (support)</p>	<p>Cabinet Members for Assets and Investment</p>		2	4	<p><b>INHERENT RISK SCORE</b></p> <p>8</p>	2	3	<p><b>CURRENT RISK SCORE</b></p> <p>6</p>
							<p>Mitigation RAG Status</p> <p>On Track</p>		<p>Direction of travel (score)</p> <p>Stayed the same</p>	
4b	<p><b>RISK:</b> If our affordable homes programme does not achieve the forecast returns on investment this will result in a drain on Housing Revenue Account and General Fund resources</p> <p><b>MITIGATION:</b> 1) Project team in place to ensure early liaison with planners and adequate pre-app advise is sought 2) Iceni engaged to act as development partner with strong track record / Judicious use of consultancy support resource 3) Development Partner and Project team in place including cost and viability consultants included in project team / A higher percentage of open market sale homes are included in the programme / Ability to 'couple' schemes within the programme resulting in a policy compliant position across all schemes even though individual schemes might fall short.</p>	<p>Assistant Director - Investment and Commercial Delivery</p>	<p>Cabinet Members for Housing</p>		4	3	<p><b>INHERENT RISK SCORE</b></p> <p>12</p>	2	3	<p><b>CURRENT RISK SCORE</b></p> <p>6</p>
							<p>Mitigation RAG Status</p> <p>On Track</p>		<p>Direction of travel (score)</p> <p>Stayed the same</p>	
4c	<p><b>RISK:</b> If we do not manage our asset portfolio effectively it may result in: lost opportunity; loss of capital value; increased revenue costs and loss of public confidence</p> <p><b>MITIGATION:</b> 1.) Asset Grading Model is fully implemented on a rolling review basis 2.) Dedicated Strategic Asset expertise within the Councils staff teams to maximise opportunities 3.) Partnership with SCC and IBC in One Public Estate Board Programme</p>	<p>Assistant Director - Corporate Resources</p>	<p>Cabinet Member for Assets and Investments</p>		4	3	<p><b>INHERENT RISK SCORE</b></p> <p>12</p>	3	3	<p><b>CURRENT RISK SCORE</b></p> <p>9</p>
							<p>Mitigation RAG Status</p> <p>On Track</p>		<p>Direction of travel (score)</p> <p>Increased</p>	

4d	<p><b>RISK:</b> If Babergh and Mid Suffolk Building Services (BMBS) fail to deliver the financial projection set out within its Business Plan, then the Councils are at risk of financial loss and potential reputational damage</p> <p><b>MITIGATION:</b> Embed effective operational structure by redesigning service / Look at efficiency gains / Use of technology / Independent review of business plan by ARC / Effective project management - weekly meetings / Liaison with Portfolio Holders and customers / Follow best practice examples / Look at economies of scale - supply of materials</p>	Assistant Director - Housing	Cabinet Members for Housing		4	4	<b>INHERENT RISK SCORE</b> 16	2	4	<b>CURRENT RISK SCORE</b> 8
								<b>Mitigation RAG Status</b> On Track	<b>Direction of travel (score)</b> Stayed the same	
<b>5 - AN ENABLED AND EFFICIENT ORGANISATION</b>										
5a	<p><b>RISK:</b> If we do not transform, improve our skills and become more efficient through maximising the use of I.T., then we will be unable to provide the services people need</p> <p><b>MITIGATION:</b> Programme to 'upskill' staff (People Strategy) / Create Digital Strategy / Invest / Talk to and learn from others / A 'People Strategy' is to be developed which will incorporate updated training and development programmes for staff / A staff survey has been undertaken and is being analysed/ The Customer Access Strategy is to be refreshed, highlighting technological advances that we may decide to make use of to provide services people need / We will continue to look to best practice both within public and private sectors to see where we can learn/develop and keep abreast of emerging advances</p>	Assistant Director - Customer Services	Cabinet Members for Organisational Delivery		3	3	<b>INHERENT RISK SCORE</b> 9	3	3	<b>CURRENT RISK SCORE</b> 9
								<b>Mitigation RAG Status</b> On Track	<b>Direction of travel (score)</b> Stayed the same	
5b	<p><b>RISK:</b> If we do not convert our data into accurate, up to date and easy to interrogate insights, evidence and intelligence, then we may be unable to support the delivery of the Strategic Priorities.</p> <p><b>MITIGATION:</b> Data mapping exercise to provide a register of information and their attributes / Internal Audit to undertake periodical Information Assurance Audit compliance / New information sharing intranet launched / Working with Suffolk partners to join up information held/ Intelligence Fair has been held to support and encourage Officers and Members to base decision making on robust evidence and intelligence / Scanning exercise to enable 'paperless system' now completed / Invest in Suffolk wide resource / People Strategy to challenge and ask critical questions</p>	Assistant Director - Customer Services	Cabinet Members for Organisational Delivery		3	3	<b>INHERENT RISK SCORE</b> 9	3	2	<b>CURRENT RISK SCORE</b> 6
								<b>Mitigation RAG Status</b> On Track	<b>Direction of travel (score)</b> Stayed the same	

5c	<p><b>RISK:</b> If we fail to build the capability across the organisation to commission effectively for outcomes then this may result in inefficient and ineffective use of resources</p> <p><b>MITIGATION:</b> Governance has been strengthened through revised Contract Standing Orders and Commissioning and Procurement Manual which provide guidance on good practice, supported by range of tools and templates together with educational workshops / integrated electronic purchase to pay, contract management and tendering systems / Implementation of health checks to identify opportunities to improve on practice used - internal audit support to work with service areas to identify and understand needs-offer guidance with commissioning module / Identify key strategic contracts/partnerships and provide visibility of performance against outcomes through regular reporting / workforce development Strategy / additional commissioning and procurement resource within the team to work with service areas</p>	Assistant Director - Corporate Resources	Cabinet Members for Finance		3	3	<b>INHERENT RISK SCORE</b> 9	2	3	<b>CURRENT RISK SCORE</b> 6
								<b>Mitigation RAG Status</b> On Track	<b>Direction of travel (score)</b> Stayed the same	
5d	<p><b>RISK:</b> If we do not continue to deliver a robust HRA Business Plan effectively, then we will not be able to meet our ambitions and responsibilities to our residents</p> <p><b>MITIGATION:</b> Continue fundamental review of 30 year business plan and assumptions / Implementing of initial savings and efficiency measures / Achieving priorities and Joint Strategic Plan / Identifying and reviewing unit cost information / Monitoring and 6 monthly review / Manage unit costs</p>	Assistant Director - Housing	Cabinet Members for Housing		3	4	<b>INHERENT RISK SCORE</b> 12	2	4	<b>CURRENT RISK SCORE</b> 8
			Assistant Director - Corporate Resources (support)					<b>Mitigation RAG Status</b> On Track	<b>Direction of travel (score)</b> Stayed the same	

5e	<p><b>RISK:</b> If we do not understand our financial position and respond in a timely and effective way, then we will be unable to deliver the entirety of the Joint Strategic Plan</p> <p><b>MITIGATION:</b> Continued development of the strands within the Medium Term Financial Strategy (MTFS) / Alignment of resources to priorities / Use of one-off funding to change the business model and support functions during change / Set balanced budgets for 18/19 and updated projections up to 21/22 Engagement of councillors to understand options / Modelling and analysis to understand impact (e.g. Capital Investment Fund), Identifying income generating activities to replace government grants (e.g. PV panels, rental income from properties) / Regular discussions at SLT regarding 18/19 budget and beyond</p>	Assistant Director - Corporate Resources	Cabinet Members for Finance	Mid Suffolk District Council							
				3	4	INHERENT RISK SCORE 12	2	4	CURRENT RISK SCORE 8		
								Mitigation RAG Status	Direction of travel (score)		
								On Track	Stayed the same		
						Babergh District Council					
		4	4	INHERENT RISK SCORE 16	3	4	CURRENT RISK SCORE 12				
				Mitigation RAG Status	Direction of travel (score)						
				On Track	Stayed the same						
5f	<p><b>RISK:</b> If we do not have more efficient and effective public access and agile working arrangements then we will not be able to tailor the services our customers need and target those in need</p> <p><b>MITIGATION:</b> <i>Residual risks from All Together Programme Board have been transferred to the Customer Services risk register.</i></p> <p>Following closure of the HQ sites, new public access points are up and running in both Stowmarket and Sudbury / Services can be accessed through both; with a range of assisted or self-serve or telephony support available / Further development is required to ensure both points offer the same quality of service and this is monitored through regular liaison and feedback / As part of refreshing the customer strategy we are exploring options to provide additional self-service facilities in Hadleigh and where appropriate in other parts of the district / Continuing to closely monitor and improve our telephony performance, ensuring we answer calls in a timely fashion</p>	Assistant Director - Customer Services	Cabinet Members for Organisational Delivery	3	3	INHERENT RISK SCORE 9	3	3	CURRENT RISK SCORE 9		
								Mitigation RAG Status	Direction of travel (score)		
				On Track	Stayed the same						

5g	<p><b>RISK:</b> If we do not maintain the trust of our stakeholders and promote our public image and reputation, then this may prevent us from entering into positive partnerships, secure funding and ultimately may affect our ability to work with partners, businesses and key stakeholders in achieving the strategic priorities.</p> <p><b>MITIGATION:</b> Work is underway, through the use of Natural Work Teams to develop strong, clear, embedded values. This will then be expanded to include a review of corporate behaviours, linked to performance appraisals. Further reviews are underway of governance systems and processes. The emerging Member Development Programme and overlapping Organisational Development programmes for SLT and ELT include a significant strand of strong and effective leadership. To ensure effective communication and engagement a specific Communications Strategy is being put in place, which will include pro-active engagement through all channels e.g. social media and dedicated training and support for media management. The Councils' engagement activity will be co-ordinated and monitored for effectiveness – this will also form a key part of the emerging Communities Strategy. Strengthened Parish / Town Council relationships are being put in place through dedicated officer liaison links, regular clerks meetings and refreshed Parish Liaison Meetings.</p>	Chief Executive	Cabinet Members for Assets & Investments		4	3	<b>INHERENT RISK SCORE</b> 12	3	3	<b>CURRENT RISK SCORE</b> 9
							<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>		
							On Track	Stayed the same		
5h	<p><b>RISK:</b> If we fail to protect the safety, health, welfare and wellbeing of our employees and other persons to whom we owe a duty of care, then there could be significant consequences at corporate and individual levels</p> <p><b>MITIGATION:</b> Health and Safety regularly featured on SLT Agenda / Specific H&amp;S orientated Extended Leadership Team sessions to promote a positive H&amp;S culture / 2018/19 budgetary provision in place under H&amp;S and OD budgets to ensure adequacy of resources and provision of H&amp;S training / H&amp;S Board and H&amp;S Working Group in place for regular H&amp;S communication and consultation / Task &amp; Finish Group (a sub-set of the H&amp;S Board) chaired by the AD for Corporate Resources with H&amp;S Action Plan priorities actioned by internal H&amp;S team / Significant progress made in relation to HAV management with positive HSE response for Countryside &amp; Public Realm work on HAV / Training matrices developed for corporate H&amp;S training and lone working (personal and hardware training solutions identified and to be rolled out), with high risk service area specific training needs to follow / Revision and ongoing development of H&amp;S resources by topic on Connect to aid communication and awareness of everyone's roles and responsibilities for their own and others' health and safety / Request for temporary H&amp;S Officer role to assist H&amp;S Business Partner submitted for approval in order to proceed with temporary to permanent recruitment for this role / H&amp;S Officer (Construction) in place to directly assist Property Services and Building Services / Liaison within HR &amp; OD team where employment, training, Trade Union and H&amp;S matters overlap to achieve coherent approach / Use of professional suppliers to provide health surveillance and assist in specialist areas such as the management of asbestos, legionella, noise and vibration in the workplace / Responsible persons appointed to assist the Councils in their legal duties to manage asbestos, legionella, noise and vibration, with training booked or in progress to evidence and support competency of Officers / Building of internal relationships with Finance, Insurance, Internal Audit and Shared Legal Services for the effective management of H&amp;S for the Councils' interests. Development of wellbeing resources and awareness by L&amp;OD Business Partner, including Mental Health First Aid Champion training and participation in the national Mental Health Awareness Week (14-20 May 2018).</p>	Chief Executive	Cabinet Members for Assets & Investments		4	4	<b>INHERENT RISK SCORE</b> 16	3	4	<b>CURRENT RISK SCORE</b> 12
							<b>Mitigation RAG Status</b>	<b>Direction of travel (score)</b>		
							On Track	Decreased		

5i	<p><b>RISK:</b> If the Universal Credit system is not used effectively by claimants, then the Councils will incur additional costs and lost revenue</p> <p><b>MITIGATION:</b> Introduction and promotion of Source Cards to help claimants manage their finances / Working with DWP and stakeholders to increase awareness / stakeholders events / Increased bad debt provision by 0.25% / Income Strategy / Forming relationships and partnerships - working with the Job Centre / Looking and learning best practice from others / Participating in the 'Trusted Partner' pilot project / Training and awareness for staff / Weekly project meeting with action plan and operational risk log</p>	Assistant Director - Housing	Cabinet Members for Housing		4	3	<b>INHERENT RISK SCORE</b> 12	3	3	<b>CURRENT RISK SCORE</b> 9
							<b>Mitigation RAG Status</b> On Track		<b>Direction of travel (score)</b> Stayed the same	
5j	<p><b>RISK:</b> If we experience challenges with staff recruitment and retention, then this will start to impact on performance, our income, the costs of potential legal challenge, government scrutiny, staff morale and public confidence.</p> <p><b>MITIGATION:</b> Workforce Strategy in development, Suffolk Joint People Strategy in place, memorandum of understanding in place between partner agencies is standardising a new approach to appoint and retain skilled staff, Suffolk Wide Planning Apprenticeship scheme has been established, an improved engagement strategy with schools is being created, a new system of rewards is being considered, a more cohesive staffing structure is focused on staff mentoring and development, a Career Grade has been adopted, plans are being developed to establish closer links to Universities, the planning budget has been adjusted to provide additional resources due to current issues being experienced with resources</p>	Assistant Director - Planning for Growth	Cabinet Members for Economy				3	3	<b>INHERENT RISK SCORE</b> 9	4
							<b>Mitigation RAG Status</b> Poor progress		<b>Direction of travel (score)</b> NEW RISK	
5k	<p><b>RISK:</b> If the Councils do not adopt a new delivery model they will not be financially sustainable and able to deliver key services in the future</p> <p><b>MITIGATION:</b> The Cabinets have committed to exploring alternative forms of council structure which could potentially generate financial savings and efficiencies / the councils have an integrated workforce and joint strategic plan / the councils have a joint medium term financial strategy</p>	Assistant Director - Law & Governance	Leaders of the Councils				<b>Mid Suffolk District Council</b>			
					4	2	<b>INHERENT RISK SCORE</b> 8	4	2	<b>CURRENT RISK SCORE</b> 8
							<b>Mitigation RAG Status</b> On Track		<b>Direction of travel (score)</b> NEW RISK	
							<b>Babergh District Council</b>			
4	3	<b>INHERENT RISK SCORE</b> 12	4	2	<b>CURRENT RISK SCORE</b> 8					
		<b>Mitigation RAG Status</b> On Track		<b>Direction of travel (score)</b> NEW RISK						

This page is intentionally left blank

**APPENDIX B**

Impact / Consequence	Disaster	4	4 (Medium)	8 (High)	12 (Very High)	16 (Very High)
	Bad/ <b>Serious</b>	3	3 (Low)	6 (Medium)	9 (High)	12 (Very High)
	Noticeable / <b>Minor</b>	2	2 (Low)	4 (Medium)	6 (Medium)	8 (High)
	Minimal	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)
			1	2	3	4
			Highly Unlikely	Unlikely	Probable	Highly Probable
Probability / Likelihood						

Likelihood

- 1 Highly Unlikely
  - \* Has never occurred before
  - \* Would only happen in exceptional circumstances
- 2 Unlikely
  - \* Not expected to occur but potential exists
  - \* Has occurred once in the last ten years
- 3 Probable
  - \* May occur occasionally
  - \* Has occurred within the last five years
  - \* Reasonable chance of occurring again
- 4 Highly Probable
  - \* Expected to occur
  - \* Occurs regularly or frequently

Impact / Consequence

- 1 Minimal
  - \* Up to £5k
  - \* Very minor service disruption (less than one day)
  - \* No noticeable media interest
  - \* No harm to persons/community
- 2 Noticeable / **Minor**
  - \* £5k - £50k
  - \* Some service disruption, more than one day
  - \* Local media coverage
  - \* Potential for ill-health, injury or equipment damage
- 3 Bad / **Serious**
  - \* £50k - £250k
  - \* Critical service disruption (statutory services not delivered)
  - \* Adverse local/national media coverage
  - \* Potential for serious harm or injury (non-life threatening)
  - \* Litigation, potential for custodial sentence

#### 4 Disaster

- \* Over £250k
- \* Systemic or sustained service loss
- \* Adverse/prolonged national media coverage
- \* Litigation, custodial sentence
- \* Fatality, major injury (life threatening or life impacting)
- \* Imminent danger exists, hazard capable of causing death or ill-ness on a wide scale

**Red text = Health and Safety Descriptors**

# Agenda Item 11

## BABERGH DISTRICT COUNCIL AND MID SUFFOLK DISTRICT COUNCIL

<b>From: Monitoring Officer</b>	<b>Report Number: JAC/17/28</b>
<b>To: Joint Audit &amp; Standards Committee</b>	<b>Date of meeting: 14 May 2018</b>

### CONSTITUTION WORKING GROUP

#### 1. Purpose of Report

- 1.1 The purpose of this report is to gain the Joint Audit and Standards Committee's endorsement for the creation of a joint cross-party working group to undertake a review of the Councils' constitution. Further, that the Committee recommends that the Councils establish the working group and appoint Councillors to it at the Annual Council meetings in May.

#### 2. Recommendation

- 2.1 That the establishment of a cross-party Constitution Working Group be endorsed and recommended to the Council.

#### 3. Financial Implications

- 3.1 There are no financial implications arising from this report.

#### 4. Legal Implications

- 4.1 Local Government Acts 1972 and 2000 (as amended) require all Local Authorities to have in place and maintain an updated written Constitution.
- 4.2 A Local Authority must prepare and keep up to date a document (referred to as its Constitution), which contains –
- (i) a copy of the authority's Standing Orders (to govern the general function of that authority),
  - (ii) to maintain Contract Standing Orders,
  - (iii) a copy of the authority's Code of Conduct for Members (under section 28 of the Localism Act 2011),
  - (iv) such information as the Secretary of State may direct, and
  - (v) such other information (if any) as the Authority considers appropriate.
- 4.3 The Monitoring Officer is required to review the constitution annually.

## 5. Risk Management

Risk Description	Likelihood	Impact	Mitigation Measures
If the Council does not regularly review its constitution it could act unlawfully or lack transparency in its decision-making.	Unlikely (1)	Bad (3)	The constitution is kept under regular review.

## 6. Consultations

6.1 No formal consultation is required for this report.

## 7. Equality Analysis

7.1 There are no equality impacts arising from this report. An Equality Impact screening exercise will be undertaken for any constitutional changes proposed by the Working Group.

## 8. Shared Service / Partnership Implications

8.1 The Councils are required to have separate constitutions as sovereign bodies. However the constitutions are entirely the same except for the provisions contained within the Planning Charters. The Planning Charters are not in scope for this review as the agreement of these documents has been delegated to the Babergh District Council Planning Committee and Mid Suffolk District Council Development Control Committees.

## 9. Links to Joint Strategic Plan

9.1 Strong governance underpins all of the outcomes contained in the joint strategic plan.

## 10. Key Information

10.1 The Constitution was last reviewed in April 2017 to include provisions for the introduction of the leader-cabinet model of governance. During that revision, responsibility for reviewing the Constitution was delegated to the Joint Audit and Standards Committee. However this was intended to be for piecemeal annual reviews rather than an in depth review of the whole, or a significant portion, of the Constitution. Adoption of any amendments to the Constitution remains the preserve of full Council.

10.2 The revised Constitution has been in effect since the Annual Council meetings in May 2017, and it has become apparent that some inconsistencies exist within the Constitution following the insertion of the Cabinet provisions and procedure rules. Further, that certain provisions of the Constitution, such as the procedure for Council questions, should be revised to provide greater clarity and transparency.

- 10.3 Given the potential extent of this review, it is recommended that the Councils appoint a joint cross-party working group to undertake this piece of work. The Joint Audit & Standards Committee is asked to endorse this approach. The working group does not need to be politically proportionate as it is not a formal committee. Therefore it is suggested that each Council puts forward three Councillors (two from the administration group and one from the opposition groups) to form the working group. The working group would meet four times between June and October, with a set of final recommendations being presented to Council at the end of October 2018.
- 10.4 It is recommended that the scope of this Constitution review is limited to the Articles of the Constitution, the Rules of Procedure, and the Terms of Reference for Council, Cabinet and Committees, and any consequential amendments to the remaining sections of the Constitution. The Scheme of Officer Delegations is being revised separately by the Monitoring Officer to ensure that the responsibilities for each Assistant Director area are properly represented.
- 10.5 Any comments and observations made by the Joint Audit and Standards Committee about the nature and scope of this review will be reported to full Council.

Authorship:  
Emily Yule  
Monitoring Officer

01449 724694  
Emily.yule@babberghmidsuffolk.gov.uk

This page is intentionally left blank

### **Review of Local Government Ethical Standards: Stakeholder Consultation**

The Committee on Standards in Public Life is undertaking a review of local government ethical standards.

Robust standards arrangements are needed to safeguard local democracy, maintain high standards of conduct, and to protect ethical practice in local government.

As part of this review, the Committee is holding a public stakeholder consultation. The consultation is open from 12:00 on Monday 29 January 2018 and closes at 17:00 on Friday 18 May 2018.

#### **Terms of reference**

The terms of reference for the review are to:

1. Examine the structures, processes and practices in local government in England for:
  - a. Maintaining codes of conduct for local councillors;
  - b. Investigating alleged breaches fairly and with due process;
  - c. Enforcing codes and imposing sanctions for misconduct;
  - d. Declaring interests and managing conflicts of interest; and
  - e. Whistleblowing.
2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government;
3. Make any recommendations for how they can be improved; and
4. Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation.

The review will consider all levels of local government in England, including town and parish councils, principal authorities, combined authorities (including Metro Mayors) and the Greater London Authority (including the Mayor of London).

Local government ethical standards are a devolved issue. The Committee's remit does not enable it to consider ethical standards issues in devolved nations in the UK except with the agreement of the relevant devolved administrations. However, we welcome any evidence relating to local government ethical standards in the devolved nations of the UK, particularly examples of best practice, for comparative purposes.

Submissions will be published online alongside our final report, with any contact information (for example, email addresses) removed.

The Committee will publish anonymised submissions (where the name of the respondent and any references to named individuals or local authorities are removed) where a respondent makes a reasonable request to do so.

#### **Consultation questions**

The Committee invites responses to the following consultation questions.

Please note that not all questions will be relevant to all respondents and that submissions do not need to respond to every question. Respondents may wish to give evidence about only one local authority, several local authorities, or local government in England as a whole. Please do let us know whether your evidence is specific to one particular authority or is a more general comment on local government in England.

Whilst we understand submissions may be grounded in personal experience, please note that the review is not an opportunity to have specific grievances considered.

- a. Are the existing structures, processes and practices in place working to ensure high standards of conduct by local councillors? If not, please say why.
- b. What, if any, are the most significant gaps in the current ethical standards regime for local government?

### *Codes of conduct*

- c. Are local authority adopted codes of conduct for councillors clear and easily understood? Do the codes cover an appropriate range of behaviours? What examples of good practice, including induction processes, exist?
- d. A local authority has a statutory duty to ensure that its adopted code of conduct for councillors is consistent with the Seven Principles of Public Life and that it includes appropriate provision (as decided by the local authority) for registering and declaring councillors' interests. Are these requirements appropriate as they stand? If not, please say why.

### *Investigations and decisions on allegations*

- e. Are allegations of councillor misconduct investigated and decided fairly and with due process?
  - i. What processes do local authorities have in place for investigating and deciding upon allegations? Do these processes meet requirements for due process? Should any additional safeguards be put in place to ensure due process?
  - ii. Is the current requirement that the views of an Independent Person must be sought and taken into account before deciding on an allegation sufficient to ensure the objectivity and fairness of the decision process? Should this requirement be strengthened? If so, how?
  - iii. Monitoring Officers are often involved in the process of investigating and deciding upon code breaches. Could Monitoring Officers be subject to conflicts of interest or undue pressure when doing so? How could Monitoring Officers be protected from this risk?

### *Sanctions*

- f. Are existing sanctions for councillor misconduct sufficient?

- i. What sanctions do local authorities use when councillors are found to have breached the code of conduct? Are these sanctions sufficient to deter breaches and, where relevant, to enforce compliance?
- ii. Should local authorities be given the ability to use additional sanctions? If so, what should these be?

## *Declaring interests and conflicts of interest*

- g. Are existing arrangements to declare councillors' interests and manage conflicts of interest satisfactory? If not please say why.
  - i. A local councillor is under a legal duty to register any pecuniary interests (or those of their spouse or partner), and cannot participate in discussion or votes that engage a disclosable pecuniary interest, nor take any further steps in relation to that matter, although local authorities can grant dispensations under certain circumstances. Are these statutory duties appropriate as they stand?
  - ii. What arrangements do local authorities have in place to declare councillors' interests, and manage conflicts of interest that go beyond the statutory requirements? Are these satisfactory? If not, please say why.

## *Whistleblowing*

- h. What arrangements are in place for whistleblowing, by the public, councillors, and officials? Are these satisfactory?

## *Improving standards*

- i. What steps could *local authorities* take to improve local government ethical standards?
- j. What steps could *central government* take to improve local government ethical standards?

## *Intimidation of local councillors*

- k. What is the nature, scale, and extent of intimidation towards local councillors?
  - i. What measures could be put in place to prevent and address this intimidation?

## **Who can respond?**

Anyone with an interest may make a submission. The Committee welcomes submissions from members of the public.

However, the consultation is aimed particularly at the following stakeholders, both individually and corporately:

- Local authorities and standards committees;
- Local authority members (for example, Parish Councillors, District Councillors);
- Local authority officials (for example, Monitoring Officers);

- Independent Persons appointed under section 28(7) of the Localism Act 2011;
- Think tanks with an interest or expertise in local government;
- Academics with interest or expertise in local government; and
- Representative bodies or groups related to local government.

## **How to make a submission**

Submissions can be sent either in electronic format or in hard copy.

Submissions must:

- State clearly who the submission is from, i.e. whether from yourself or sent on behalf of an organisation;
- Include a brief introduction about yourself/your organisation and your reason for submitting evidence;
- Be in doc, docx, rtf, txt, ooxml or odt format, not PDF;
- Be concise – we recommend no more than 2,000 words in length; and
- Contain a contact email address if you are submitting by email.

Submissions should:

- Have numbered paragraphs; and
- Comprise a single document. If there are any annexes or appendices, these should be included in the same document.

It would be helpful if your submission included any factual information you have to offer from which the Committee might be able to draw conclusions, and any recommendations for action which you would like the Committee to consider.

The Committee may choose not to accept a submission as evidence, or not to publish a submission even if it is accepted as evidence. This may occur where a submission is very long or contains material which is inappropriate.

Submissions sent to the Committee after the deadline of 17:00 on Friday 18 May 2018 may not be considered.

Submissions can be sent:

1. Via email to: [public@public-standards.gov.uk](mailto:public@public-standards.gov.uk)
2. Via post to:  
Review of Local Government Ethical Standards  
Committee on Standards in Public Life  
GC:07  
1 Horse Guards Road  
London  
SW1A 2HQ

If you have any questions, please contact the Committee's Secretariat by email ([public@public-standards.gov.uk](mailto:public@public-standards.gov.uk)) or phone (0207 271 2948).

# Agenda Item 14

## BABERGH AND MID SUFFOLK DISTRICT COUNCILS

<b>From:</b> Corporate Manager – Democratic Services	<b>Report Number:</b> <b>JAC/17/31</b>
<b>To:</b> Joint Audit and Standards Committee	<b>Date of Meeting:</b> 14 May 2018

### JOINT AUDIT AND STANDARDS COMMITTEE FORWARD PLAN

#### Date of Committee – 30 July 2018

Topic	Purpose	Lead Officer
Non Salary Expenses	To provide information in relation to non-salary expenses	Corporate Manager – Financial Services
Joint Annual Treasury Management Report - 2017/18	To note and make Recommendations to both full Councils	Corporate Manager – Financial Services
Statements of Accounts 2017/18 and Auditor's Report	To approve the final audited Statements of Accounts and the joint external auditor's report for 2017/18	Cabinet Members - Finance
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer
Complaints Monitoring report	To note	Monitoring Officer

#### Date of Committee – 24 September 2018

Topic	Purpose	Lead Officer
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer

#### Date of Committee – 12 November 2018

Topic	Purpose	Lead Officer
Mid Year Report on Treasury Management 2018/19	To note and make Recommendations to both full Councils	Corporate Manager – Financial Services
Joint Annual Audit Letter for 2017/18	For comment and agreement	Corporate Manager – Financial Services

<b>Topic</b>	<b>Purpose</b>	<b>Lead Officer</b>
Interim Internal Audit Report 2018/19	To note the progress of the Audit Plan	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer
Complaints Monitoring report	To note	Monitoring Officer

**Date of Committee – 14 January 2019**

<b>Topic</b>	<b>Purpose</b>	<b>Lead Officer</b>
Joint Treasury Management Strategy	To note and make Recommendations to both full Councils	Cabinet Members - Finance
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer

**Date of Committee – 11 March 2019**

<b>Topic</b>	<b>Purpose</b>	<b>Lead Officer</b>
Certification of Claims and Returns	To note	Cabinet Members - Finance
Joint Audit Plan 2018/19	To note	Cabinet Members - Finance
Managing the Risk of Fraud and Corruption - Annual Report	For comment and agreement	Corporate Manager – Internal Audit
Internal Audit Plan 2019/20	For comment and agreement	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer
Complaints Monitoring report	To note	Monitoring Officer

**Date of Committee – 13 May 2019**

<b>Topic</b>	<b>Purpose</b>	<b>Lead Officer</b>
Joint Annual Governance Statement	For comment and agreement	Corporate Manager – Internal Audit
Annual Internal Audit Report	For comment and agreement	Corporate Manager – Internal Audit
End of Year Significant Risks	For comment and agreement	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer

This page is intentionally left blank