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COMMITTEE: **JOINT AUDIT AND STANDARDS COMMITTEE**

VENUE: **Council Chamber, Council Offices, Corks Lane, Hadleigh**

DATE: **Monday, 15 May 2017 at 10.00 a.m.**

Members

Babergh

Melanie Barrett
Michael Creffield
Frank Lawrenson
Alastair McCraw

David Rose
William Shropshire
Stephen Williams
(1 vacancy)

Mid Suffolk

John Field
Lavinia Hadingham
John Matthissen
Lesley Mayes

Suzie Morley
Dave Muller
Kevin Welsby
Jill Wilshaw

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 I

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 MINUTES

1 - 4

To confirm and sign the Minutes of the meeting held on 13 March 2017 as a correct record (copy attached).

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.

| ITEM | BUSINESS | PAGES |
|------|--|---------|
| 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. | |
| 6 | QUESTIONS BY COUNCILLORS | |
| | 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 | PAPER JAC103 - ANNUAL INTERNAL AUDIT REPORT 2016/17 | 5 - 22 |
| | Report by the Corporate Manager – Internal Audit attached. | |
| 8 | PAPER JAC104 - LOCAL CODE OF CORPORATE GOVERNANCE 2016/17 | 23 - 46 |
| | Report by the Corporate Manager – Internal Audit attached. | |
| 9 | PAPER JAC105 - JOINT ANNUAL GOVERNANCE STATEMENT 2016/17 | 47 - 68 |
| | Report by the Corporate Manager – Internal Audit attached. | |
| 10 | PAPER JAC106 - END OF YEAR SIGNIFICANT RISKS POSITION STATEMENT AND PROGRESS REPORT | 69 - 86 |
| | Report by the Corporate Manager – Internal Audit attached. | |

Note: The date of the next meeting is Monday 17 July 2017 at 10.00 a.m. at Needham.

Agenda Item 3

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the Meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held at the Council Chamber, Mid Suffolk District Council Offices, High Street, Needham Market on Monday, 13 March 2017

PRESENT:

Suzie Morley (Chairman)

John Field
John Matthissen
Lesley Mayes
Dave Muller
Kevin Welsby
Jill Wilshaw

Alastair McCraw
David Rose
William Shropshire

In attendance:

Katherine Steel – Assistant Director (Corporate Resources)
John Snell – Corporate Manager (Internal Audit)
Paul Jarvis – Internal Audit and Risk Management Officer
Val Last – Governance Support Officer
Henriette Holloway – Governance Support Officer
Suresh Patel – Ernst and Young LLP

1 SUBSTITUTES AND APOLOGIES

An apology for absence was received from Councillors Melanie Barrett, Michael Creffield, Lavinia Hadingham, Frank Lawrenson and Stephen Williams.

2 DECLARATION OF INTERESTS

There were no declarations of interest.

3 MINUTES

RESOLVED

That the minutes of the meeting held on 23 January 2017 be confirmed and signed as a correct record.

4 PETITIONS

None received.

5 QUESTIONS BY THE PUBLIC

None received.

6 QUESTIONS BY COUNCILLORS

None received.

7 **EXTERNAL AUDIT REPORTS**

Reports JAC96, JAC97, JAC98

Surest Patel, Ernst & Young LLP

Suresh Patel, Ernst and Young, presented the following reports and responded to questions from Members:

- (a) JAC96 – Certification of Claims and Returns Annual Report 2015/16 (BDC)
- (b) JAC97 – Certification of Claims and Returns Annual Report 2015/16 (MSDC)

Members were informed that the Reports detailed identified errors and recommendations for 2016-17 were to be found at the end of the Reports.

Members questioned the effect of the transition from the Housing Benefit Scheme to Universal Credit on Housing Benefit Subsidy. Officers responded that the level of Subsidy from the Housing Benefit Scheme would be reduced, as local authorities would not be administering Universal Credit. The resulting reduction in claims would cause a reduction in the administration subsidy paid by Government. It would be necessary to monitor the situation carefully as it might be necessary to reduce the level of staff resource in the Shared Revenues Partnership. It was established that Babergh and Mid Suffolk District Councils would be responsible for any cost incurred by redundancies, as the DWP did not fund any costs for staff reduction. It was confirmed that where Universal Credit had already been introduced that rent arrears rose.

The recommendation for extended testing on page 18 was questioned and it was clarified that since errors had been found in November 2016, it was highly likely that it would be similar for 2016/17 and therefore the recommendation to conduct an early extended testing of 40 cases had been put forward.

- (c) JAC98 – Babergh and Mid Suffolk Audit Plan 2016/17

It was noted that this year a Joint Audit Plan for Mid Suffolk and Babergh had been prepared. The identified risks related to the largest figures in the accounts and were not of concern.

The CIPFA Code changes were complex and discussions would be held with the Assistant Director (Corporate Resources) regarding the possibility of additional fee being incurred. No specific risks had been identified regarding Value for Money and it was considered that the Council was managing its finances in a positive manner.

He referred to Appendix F and explained that planned fees were in line with the Public Sector Audit Commission agreed payment scale.

Members questioned the Auditor and it was established that the Joint Investment and Joint Venture Companies had no impact on the accounts or the fees, as they were unlikely to begin trading until 2017/2018. He confirmed that the Ernst and Young Actuary team would carry out checks and ensure that any relevant information was supplied and fed through to the Actuary administering the Council's Pension Scheme.

RESOLVED

That the external audit reports be noted

8 **PAPER JAC99 - MANAGING THE RISK OF FRAUD AND CORRUPTION - ANNUAL REPORT 2016/17**

Report JAC99

Corporate Manager – Internal Audit

John Snell, Corporate Manager – Internal Audit, introduced Paper JAC99, 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 where this would not be tolerated. It also provided details of pro-active work undertaken by Internal Audit to detect, prevent and detect fraud and corruption.

Members questioned the procedure for dealing with fraud cases. Officers responded that few such cases existed in Mid Suffolk, but that fraud cases were reported to the police and any prosecutions depended on their advice and the financial implication of the prosecution. Often the best deterrent was to report the case to the press.

It was noted that cases of overpayment of benefits equated to approximately 3.6% of total claims.

The risk of cybercrime was rising and work to prevent these crimes was built into the Internal Audit Plan.

It was noted that Procurement played a prominent role in audit work and that there were a number of checks and balances by Contracts and Procurement Officers plus checks by Audit to ensure contractors work was completed and of the required standard.

The Corporate Manager agreed to provide Members with the 'Protecting the English Public Purse 2016' report once it was published later this year.

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 noted

9 **PAPER JAC100 - INTERNAL AUDIT PLAN 2017/18**

Report JAC100

Corporate Manager – Internal Audit

Paul Jarvis – Internal Audit and Risk Management Officer introduced report JAC100, which detailed the proposed Internal Audit Plan for the next financial year.

Councillors Dave Muller and Alastair McCraw proposed and seconded the proposal respectively.

By a unanimous vote

RESOLVED

That the Internal Audit Plan 2017/18, as detailed in Appendix A, be approved

10 **PAPER JAC101 - COMPLAINTS MONITORING REPORT**

Report JAC101

Monitoring Officer

Emily Yule, Assistant Director – Law and Governance and Monitoring Officer, introduced Paper JAC101 which detailed Code of Conduct complaints received or determined since the last time such complaints were reported to Committee.

Members were advised that the Code of Conduct and Complaints Report was produced quarterly. To prevent reciprocal complaints, each complaint was logged and filters applied to move the procedure forward.

RESOLVED

That the content of the report be noted

11 **PAPER JAC102 - FORWARD PLAN**

Report JAC102

Corporate Manger – Democratic Services

The Chairman noted that the Forward Plan concluded in May as a result of the move to the Leader/Cabinet Model after the Annual Council Meeting on 22 May.

Members were informed that a Significant Risk Register Report was to be presented to the Committee in May and that the Senior Leadership Team were reviewing the Risk Register in terms of risks, causes and consequences and the impact of these.

RESOLVED

That the content of Paper JAC102 Forward Plan be noted

The business of the meeting was concluded at 11.00 am.

The next Joint Audit and Standards Committee meeting is on 15 May 2017 at 10.00 am at Babergh District Council.

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Chairman

Agenda Item 7

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

| | |
|---|-------------------------------------|
| From: Corporate Manager – Internal Audit | Report Number: JAC103 |
| To: Joint Audit and Standards Committee | Date of meeting: 15 May 2017 |

ANNUAL INTERNAL AUDIT REPORT 2016/17

1. Purpose of Report

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within Internal Audit during the Financial Year 2016/17 and provides Councillors with a review of the variety and scope of projects and corporate activities supported through the work of the team.

2. Recommendation

- 2.1 That the content 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 legal implications arising from this report.

5. Risk Management

- 5.1 The key risk 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. External Audit reviews the work of the Internal Audit section and the internal control arrangements. |

6. Consultations

- 6.1 During preparation this report has been shared with both Chairs of the Joint Audit and Standards Committee; both Council's Portfolio Holders; the Member with Special Responsibility; the Section 151 Officer; and the Temporary Assistant Director - Law and Governance and Monitoring Officer.
- 6.2 The Audit Plan 2016/17 was approved by the Joint Audit and Standards Committee on 18 April 2016 (Paper JAC76), having previously been endorsed by the S151 Officer and by the then Management Team.
- 6.3 The 2016/17 Interim Internal Audit Report was submitted to the Joint Audit and Standards Committee on 14 November 2016 (Paper JAC91).

7. Equality Analysis

- 7.1 There are no equality and diversity implications arising from 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 Council's 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 Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

As part of the preparation for the 2016/17 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 2016/17 Audit Plan (Paper JAC76 - 18 April 2016).

- 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 monitors requests, with a risk based approach, for the re-allocation of Internal Audit resources from the approved 2016/17 Audit Plan.
- 10.3 Appendix A provides a summary of the work undertaken during the second half of 2016/17. This work contributes to the 2016/17 overall audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.
- 10.4 It can be seen (Section 6 of the attached report) that all of the Core Financial audit opinions were reported as 'Effective', maintaining a robust control environment within Financial Services.
- 10.5 Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2016/17, it is the opinion of the Corporate Manager – Internal Audit that each Council's control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective'.

11. Appendices

| Title | Location |
|---|----------|
| A Overview of Internal Audit Work 2016/17 | Attached |

12. Background Documents

- 12.1 There are no further documents.

John Snell
Corporate Manager - Internal Audit

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Appendix A

Overview of Internal Audit Work 2016/17

1. Introduction

The work undertaken by Internal Audit in delivery of the Audit Plan for the Financial Year 2016/17 is reported here to the Joint Audit and Standards Committee (JASC).

2 Audit Activity

Internal Audit had significant involvement within the period in a variety of different governance and review activities/issues, which included:

Section Reference:

- 3 Council Governance**
- 4 Risk Management**
- 5 Probity**
- 6 Audits conducted**
 - 6.1 Core Financial Systems Audits**
 - 6.2 Risk Audit Reviews**
- 7 Business support activities**

3 Council Governance

- 3.1 The Corporate Manager – Internal Audit plays a lead role in Information Governance across the Councils, as an attendee of the Information Governance Board and author of the Information Governance Policy.
- 3.2 The Corporate Manager-Internal Audit has produced, and maintains an Information Governance risk log which captures the risks that the Councils are exposed to within the framework of law and best practice that regulates the manner in which information (including information relating to and identifying individuals) is managed, i.e. obtained, handled, used and disclosed.
- 3.3 In line with the 2016 CIPFA SOLACE guidance the Corporate Manager-Internal Audit has produced a revision of the Council's Local Code of Corporate Governance. (Presented to the Committee today)
- 3.4 Internal Audit has led on the production of the Annual Governance Statement (AGS) which is completed again as at the end of the financial year 2016/17, (presented to the Committee today), alongside an Assurance Mapping exercise across the Councils designed to identify gaps in good practice and aid the 2016/17 audit planning process. The outcome of the planning was reported to this Committee on 13 March 2017 (Paper JAC100).

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. The document has undergone a fundamental review to closely align with the Councils' Strategic Objectives and the draft register was reported to the Joint Audit and Standards Committee on 18 April 2016 (Paper JAC79).

The end of year register, and other details on the work conducted by Internal Audit on Risk Management, is presented to this Committee today, 15 May 2017, following approval at Executive and Strategy Committees in early May.

5 Probity

- 5.1 Full details of the anti-fraud and corruption work undertaken during the year is reported annually to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption. The last report was for 2016/17 and presented on 13 March 2017 (Paper JAC99).
- 5.2 The data requirements and data specifications for the **2016/17** National Fraud Initiative (NFI) exercise have now been completed and successfully uploaded using the NFI's secure electronic upload facility.

The release of matches of information across all the contributors 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.

- 5.3 EU Elections expense payments - Internal Audit was asked to carry out an audit by the Interim Democratic and Electoral Services Manager of the process undertaken and that all other expenses relating to the EU Referendum were correctly paid, as due to an error in processing no PAYE deductions were made. (See Annex for detail).

6 Audits conducted

The audits conducted are split into two: Core Financial Systems Audit and Risk Audit reviews. The audits that have been completed (unless otherwise indicated), and the Final Report issued, are summarised in the attached Annex.

Internal Audit reports provide three levels of assurance: the overall Audit opinion; the Audit opinion for each control (activity) area; and a recommendation to remediate each control that requires enhancement.

6.1 Core Financial Systems Audits

- 6.1.1 The work is focussed on documentation, evaluation and testing of the effectiveness of systems of internal control within each Councils' core financial systems, including compliance with their rules and policies.

6.1.2. For 2016/17 all Core Financial Systems audit opinions were reported as 'Effective', the recommendations made for each audit discussed and accepted by Financial Services managers, and analysed by report subject in the table below:

| Number of Audit opinions made against key operating controls | Payroll - HR Processing | Payroll - data upload | Rent BMSDC | Income BMSDC | Treasury | GL | SRP | Payables | Receivables | Information Technology |
|---|-------------------------|-----------------------|------------|--------------|-----------|-----------|-----------|-----------|-------------|------------------------|
| High Standard | 3 | 5 | 4 | | 1 | 0 | 3 | 2 | 6 | |
| Effective | 2 | 1 | 2 | | 6 | 6 | 1 | 2 | 1 | |
| Ineffective | 2 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | |
| Overall opinion | Effective | Effective | Effective | no audit | Effective | Effective | Effective | Effective | Effective | in progress |
| All Recommendations | Payroll - HR Processing | Payroll - data upload | Rent BMSDC | Income BMSDC | Treasury | GL | SRP | Payables | Receivables | Information Technology |
| No. of recs | 7 | 1 | 3 | | 5 | 0 | 1 | 3 | 3 | |
| No. Agreed by Mgt | 7 | 1 | 3 | | 5 | 0 | 1 | 3 | 3 | |
| No. of 'high' recs | 5 | 0 | 1 | | 3 | 0 | 1 | 0 | 0 | |
| No. Agreed to be implemented | 5 | 0 | 1 | | 3 | 0 | 1 | 0 | 0 | in progress |
| No income audit was conducted this year as 1, the previous year had received 'High Standard, and 2, Audits were conducted on Licencing and Building Control which both contained tests for income management. | | | | | | | | | | |

6.1.3. The number of ineffective audit opinions on key controls has again fallen this year to 2, from a high of 15 in 2014/15. Whilst both opinions were on control objectives in Payroll, they were not sufficiently material to reduce the overall opinion of the service below 'Effective'. Year on year comparisons are shown in the table in the attached annex.

6.1.4. Whilst the volume of recommendations again fell year on year, fewer Finance audit reports were issued in 2016/17 due to merging of Councils' processes. All audit recommendations were accepted by management and it is Internal Audit's opinion that the impact of financial processing risk exposure continues to diminish:

| | Number: | | |
|-------------------------|---------|-------|-------|
| | 14/15 | 15/16 | 16/17 |
| Total recommendations | 62 | 29 | 23 |
| No. Medium (Priority 2) | 26 | 19 | 13 |
| No. High (Priority 1) | 36 | 10 | 10 |

6.2 Risk Audits

6.2.1 As reported in the Audit Plan the scope of this audit work is determined by a number of considerations including: Management concerns; perceived risk and controls environment; strategic importance; and past experience. A summary of work conducted is scheduled below, and more detail of specific reviews are summarised in the attached Annex.

That work completed in the first half of the year was reported to the Joint Audit and Standards Committee on 14th November 2016 (Paper JAC91), namely:

- Building Control procedural review
- Procurement – Housing contract management
- JOSIE project
- Building Control – Financial Proposition Analysis*
- Community Levy Charge (CIL)

Following this November meeting the Assistant Director - Planning for Growth was called to the Joint Audit and Standards Committee to provide satisfaction on the management actions to improve controls over the JOSIE project.

Audit reviews undertaken in the subsequent period are:

- Procurement – Housing*
- Communities Grants
- Licensing – This audit is nearing completion of fieldwork and on target to be complete to plan.
- Finance – Budgetary Control*

**These reviews were undertaken to support Service Management in developing their control environment and in line with this type of audit consultation no opinion is given.*

7 Business support activities:

7.1 Internal Audit retain a close working relationships with Corporate Management, the Senior Leadership Team and staff, and have provided support and advice on various proposed system and control developments, enhancements and changes throughout the year.

7.2 Business Continuity

Internal Audit has worked with business managers to develop and evolve both the Councils' and individual departmental business continuity plans. 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.

With the increasing threat to organisations of cyber security breaches, an exercise 'Armageddon', developed by the Business Continuity Working Group, took place in November 2016. The scenario focussed around a fictitious cyber-attack on the Councils and engaged the Senior Management Team. A post exercise learning meeting led to actions to be monitored by Internal Audit.

To spread awareness the scenario and associated learning was published in Working Together.

Other than telephone outages of a few minutes at a time, there have been no major technology incidents this year which have been the subject of post event reviews to determine lessons learnt by all main stakeholders.

- 7.3 The Corporate Manager - Internal Audit was appointed to 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. A number of cases have been dealt with since the appointment.

8 Resources

The Internal Audit team has remained constant during the period which has enabled consolidation and development of the skills mix, aims and objectives required to deliver the Councils' Plans, reflected in the 2016/17 Audit Plan. As reported to the 13th March JASC an additional member of staff has been recruited to ensure that the delivery of the Audit Plan is achieved in 2017/18.

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 Auditee Satisfaction

At the end of each audit the auditee is offered the opportunity to provide feedback on the work conducted and the manner and skills of the auditor, as well as the opportunity to feedback on the benefits gained by the auditee. These surveys are sent out with the Final Report, with the response going to the Corporate Manager – Internal Audit, rather than the Auditor. The auditee can of course speak directly to the Corporate Manager – Internal Audit.

Of the Audits conducted 7 Auditees have so far responded with satisfaction surveys, details are reported in the Annex. Of these responses 5 were rated 'Excellent' and 2 'Good' by the Auditee.

9.3 Internal Audit Key Performance Indicators

Eight Audit key performance indicators are used to monitor audit efficiency and are shown below:

| Key Performance Indicator | Target | Actual |
|--|-----------------------|--------|
| % audit recommendations accepted by management. | 90% | 100% |
| % high priority recommendations implemented. | 100% | 100% |
| % of individual audit system reviews completed within target days or prior approved extension by the Corporate Manger – Internal Audit. | 100% | 100% |
| Average Number of days between the issue of Internal audit briefs and commencement of audit fieldwork. | 10 working days | 9 |
| Average Number of days between the completion of audit fieldwork and issue of draft report. | 10 working days | 8 |
| Average Number of days between the issue of the draft and final report. | 15 working days | 12 |
| The % of internal audits completed to the satisfaction of the auditee. | 80% 'Satisfactory' | 100% |
| Percentage of the audit plan completed - adjusted (2 finance developments not started, a duplicated area in the plan, one topic area subject to material restructuring). | 90% | 91% |

The work not undertaken in the 2016/17 plan has been re-evaluated in conjunction with the Control Assurance review for inclusion in the 2017/18 plan, as appropriate.

10 Conclusions

The Corporate Manager – Internal Audit considers that there are no additional audit related issues that currently need to be brought to the attention of this Committee.

ANNEX

| AUDIT | PURPOSE OF AUDIT | KEY RISK(S) | SUMMARY OF KEY FINDINGS | AUDIT OPINION |
|---------------------------------------|--|--|--|---------------|
| Core Financial Systems 2016/17 | | | | |
| General Ledger | Security and Coding Structure; Operational framework; Feeder Systems; Journal and other transactions; Control accounts and reconciliations; and Year End Procedures. | <p>The system is not utilised to its full potential reducing efficiency and increasing errors.</p> <p>Misposting may go unnoticed.</p> <p>Data is corrupted or fraud obscured as direct input to the GL may be unauthorised.</p> | <p>This Year's audit covers a period of relative stability within Finance following the reorganisations of the previous year. Nevertheless, since the last audit, there have been further changes to Integra, with the system hosting moving from Suffolk County Council to Capita. Business continuity for 3rd Party Service supplier exists and has been independently tested. Further change is anticipated with the migration to Integra 2 planned for the early part of 2017.</p> <p>Suspense account balances have historically been high, and the team have continued to work to reduce the issues. At the start of 16/17 balances were: MSDC circa £16,5k, and BDC £-32,5k. At the time of reporting these balances have reduced to circa £600 and £1,500 respectively, now reflecting current transactions only.</p> | Effective |
| Housing Rents | Rent Calculation; Income Collection; Arrears Management; Adjustments; Starting and Ending Tenancies; and Security. Rent payments where tenants are in receipt of UC | <p>Rents may not be collected for all relevant properties.</p> <p>Rent accounts not updated for increases and changes impacting appropriate recovery action.</p> <p>Universal Credits (UC) are not promptly allocated to Tenants' accounts (as remittances from DWP are omitted) and arrears may accumulate as a result.</p> | <p>Appropriate checks are undertaken to ensure tenants are correctly charged at all times. Debt collection is now managed by Rundles for both Authorities, so debt is now actively chased for MSDC. The reasons for all adjustments are evidenced with a full history on each tenant's file.</p> <p>UC has not been established for a sufficient length of time to draw conclusions regarding levels of tenant debt and the control of regular payments. DWP procedures do not appear effective (such as letting Officers know of UC applications). Concerns raised with DWP are not actioned by DWP (such as submitting remittances when sending payments directly to the Council/s).</p> | Effective |

ANNEX

| AUDIT | PURPOSE OF AUDIT | KEY RISK(S) | SUMMARY OF KEY FINDINGS | AUDIT OPINION |
|-------------------------|--|--|---|---------------|
| Payables | Data Integrity and System Security; Requisitions; Invoice Payment; and Procurement Cards. | <p>The Council pays for goods and services that have not been received.</p> <p>Fraudulent or duplicate payments could be made.</p> | <p>Data Integrity and System Security controls in Integra are sound and demonstrable.</p> <p>Although the system auto matching invoices (sometimes incorrectly), Finance run reports and correct these auto-matches manually.</p> <p>Procurement card processes are effective and policy is adhered to.</p> | Effective |
| Payroll data uplift | Ensure that the data migration testing was audited promptly and could add value and assurances in a timely manner. | <p>The content of the Councils' payroll is incorrect.</p> <p>Access and changes to standing data are inappropriate.</p> | <p>The data migration process followed logical and methodical testing, effective controls are in place in ensuring data has transferred correctly from the Midlands' iTrent system to SCC's iTrent system.</p> <p>One error was identified, but when the iTrent reports comparing data were rerun and the data was found to be correct. The original error remains unexplained, but all data has now been transferred without further error.</p> | Effective |
| Payroll data processing | Starters; Leavers; Payments; Deductions; Variations; Security; and Pensions. | <p>The content of the Councils' payroll is incorrect.</p> <p>The Councils may pay their staff incorrectly.</p> <p>Access and changes to standing data are inappropriate.</p> | <p>One starter overpaid for 6 months due to an error inputting their spinal point 2 points above their contracted level. The employee has been notified and arrangements made to recoup the overpayment. This employee started prior to the move from Midland to SCC where a more robust separation of duties exists, which should eliminate a recurrence.</p> <p>Member of staff underpaid for overtime, (approx. £5000). This claim had been continuing for almost 3 years - in breach of the Overtime Policy. Regular overtime for the employee in question has been stopped and arrangements made to pay the shortfall. The Corporate Manager identifying other solutions to address the workload situation. HR have carried out further investigations to identify any other potential cases. These highlight short periods of intensive overtime and fit within the scheme.</p> | Effective |

ANNEX

| AUDIT | PURPOSE OF AUDIT | KEY RISK(S) | SUMMARY OF KEY FINDINGS | AUDIT OPINION |
|--|---|---|--|---------------|
| | | | Other areas tested were found to be working well with adequate controls in place and no significant material errors identified. | |
| Receivables | Raising Invoices; Raising Credit Notes; Adjustments; Security; Monitoring; Receipt of Income; and Debt Recovery & Write Off. | Councils' income is incomplete and shortfalls go undetected. Fraud arises from a lack of a separation of duties across the system. | The majority of the subject areas tested received a High Standard audit opinion. Historical debt, dating back to 2010 from CSD for MSDC is still outstanding. Analysis shows half (of c80 debtors) are under £500 and the largest 10 debts amount to c£50k. The finance team have put a great deal of effort into trying to obtain the supporting evidence to recover this debt and Senior Officers are to review the debt and make a recommendation for W/O with the support of the Corporate Manager – Finance. | Effective |
| Shared Revenue Partnership feeder system & Finance reconciliations | Council Tax, NNDR Housing Benefit Overpayments: Direct Debits, Cash receipts, Banking receipts and Nominal ledger postings from feeder systems. | Systems are not updated and customer details not aligned. Loss or misappropriation of income. | Testing confirmed nothing to indicate anything other than correct posting in Finance records, the procedure for BACS file creation, and the Northgate system postings. The Section 151 report had not been produced regularly with the first one in 16/17 being produced and issued in August 2016. Furthermore, the Key Control Accounts tabs detailing progress of reconciliations did not confirm that they had been checked by an independent officer. | Effective |
| Shared Revenue Partnership internal processes | This audit is completed each year on our behalf by Ipswich Borough Council Internal Audit Team. The 2015/16 report was received from IBC on 19 th September 2016. The 2016/17 Audit is still at the testing stage. Presently indications are that there is nothing material to report. | | Parameters are accurately entered into the NRB system and independently checked. Checks are regularly carried out by Quality Control (QC) on calculations of benefit entitlements. Billing run and calculation checks are operating effectively. Empty property checks are occurring according to the scheduled procedure. Unpaid direct debits are followed up effectively. | Good |

ANNEX

| AUDIT | PURPOSE OF AUDIT | KEY RISK(S) | SUMMARY OF KEY FINDINGS | AUDIT OPINION | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|---|-----------------------------|--------------------------|------------------------------|-------------------|-------------------------|----------------------|----------------------|----------------------|--------------------------|----------------------|--------------------------|----------------------|---------------------|----------------------|------------|-------------------|--------------------|-----------------------|---|-------------------|-----------------------------------|-----------------------|------------------|---|---------------------------------|
| | | | <p>The updated rating records in NRB are reconciled to the Valuation Office (VO) rating list to ensure that changes in rateable value are updated correctly.</p> | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Information Technology</p> | <p>SCC Audit undertook an ICT Audit on Cyber-crime and its impact on the County's IT provision.</p> <p>As SCC are our IT service provider this review was the starting point for our own additional review of Cyber-crime, which focusses on:</p> <p>User Education and Awareness; and</p> <p>Security Testing, Surveillance and Monitoring.</p> | <p>Events are not dealt with appropriately or in a timely manner.</p> <p>Breaches that could be avoided are not due to a lack of proactive monitoring of IT systems.</p> | <p>Suffolk County's Internal Audit findings were:</p> <p>OVERALL: Sufficient Assurance</p> <p>UK Government Communications Headquarters (GCHQ)- <i>10 Steps to Cyber Security</i>:</p> <table border="0"> <tr> <td>Information Risk Management</td> <td>Sufficient Assurance (L)</td> </tr> <tr> <td>User Education and Awareness</td> <td>Limited Assurance</td> </tr> <tr> <td>Home and Mobile Working</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Secure Configuration</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Removable Media Controls</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Managing User Privileges</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Incident Management</td> <td>Sufficient Assurance</td> </tr> <tr> <td>Monitoring</td> <td>Limited Assurance</td> </tr> <tr> <td>Malware Prevention</td> <td>Substantial Assurance</td> </tr> <tr> <td>Security Testing, Surveillance and Monitoring</td> <td>Limited Assurance</td> </tr> <tr> <td>Protection of Security Technology</td> <td>Limited Assurance (L)</td> </tr> <tr> <td>Network Security</td> <td>Sufficient Assurance ((L) Limited testing).</td> </tr> </table> <p>BMSDC specific IT provision is directly affected by some of the key areas above. These areas form the basis for further local audit investigation, presently being completed.</p> | Information Risk Management | Sufficient Assurance (L) | User Education and Awareness | Limited Assurance | Home and Mobile Working | Sufficient Assurance | Secure Configuration | Sufficient Assurance | Removable Media Controls | Sufficient Assurance | Managing User Privileges | Sufficient Assurance | Incident Management | Sufficient Assurance | Monitoring | Limited Assurance | Malware Prevention | Substantial Assurance | Security Testing, Surveillance and Monitoring | Limited Assurance | Protection of Security Technology | Limited Assurance (L) | Network Security | Sufficient Assurance ((L) Limited testing). | <p>SCC Sufficient Assurance</p> |
| Information Risk Management | Sufficient Assurance (L) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| User Education and Awareness | Limited Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Home and Mobile Working | Sufficient Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Secure Configuration | Sufficient Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Removable Media Controls | Sufficient Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Managing User Privileges | Sufficient Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Incident Management | Sufficient Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Monitoring | Limited Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Malware Prevention | Substantial Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Security Testing, Surveillance and Monitoring | Limited Assurance | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Protection of Security Technology | Limited Assurance (L) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Network Security | Sufficient Assurance ((L) Limited testing). | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Treasury Management</p> | <p>Policy, strategy, procedures and behaviours. Cash management, transaction processing, CHAPS and BACS processing, and reconciliation and oversight.</p> | <p>Performance may be poor and go undetected, and inappropriate arrangements may be used.</p> | <p>Segregation of duties has been introduced by separating out the Bank and Brokerage transaction posting to the GL Nominal from the reconciliation.</p> <p>Errors in mispostings identified by Treasury Staff as far back as</p> | <p>Effective</p> | | | | | | | | | | | | | | | | | | | | | | | | |

ANNEX

| AUDIT | PURPOSE OF AUDIT | KEY RISK(S) | SUMMARY OF KEY FINDINGS | AUDIT OPINION |
|--------------------|--|---|--|--|
| | | <p>Discrepancy in loan terms may go undetected.</p> <p>Fraudulent activities may be carried out and go undetected if there is not a sufficient division of duties.</p> | <p>April 16 have not been corrected and were carried forward as reconciling items, creating permanent differences in Monthly reporting from the Nominal Ledger. This has been addressed since being raised during the audit.</p> <p>The Section 151 report had not been reviewed by management for the first 4 months of the Financial Year. This was raised immediately with the Corporate Manager, Finance Services, who took pragmatic steps to rectify and strengthen the reporting.</p> | |
| Risk Audits | | | | |
| EU Election | The Interim Democratic and Electoral Services Manager asked Internal Audit to review the process undertaken, and that all expenses, relating to the EU Referendum were correctly paid. | <p>Poor reputation and or fines</p> <p>Further errors leading to overpayments by the Councils and ensuing loss.</p> <p>Ineffective working practices.</p> | <p>One employee (representing a 2% error rate) was overpaid by £40.00. This has now been addressed by HR.</p> <p>With the exception of the tax issue all other payments were found to be correct.</p> <p>HR has now written to all internal staff affected and an adjustment of tax will be made in their September's pay.</p> <p>Non-staff's adjustment of tax is being rectified by issuing invoices in September.</p> | In line with this type of audit activity no opinion is given. See comment in Section 6.2.1 |
| Licensing | Fieldwork near completion | | | |
| Communities Grants | Particular focus on Revenue grants as these were (until 2016) paid up front 100% and therefore posed a greater risk to the Councils' funds. | <p>Loss of funds to the Councils in particular Revenue grants;</p> <p>Legal or agreed framework may not be in place;</p> <p>Poor customer service and support to the community.</p> | <p>Internal Audit can provide assurances that sound controls are in place, in terms of what the Applicant can expect, by reference to information published online.</p> <p>Despite limited resources, the positive outcomes achieved are recognised by Members (Joint Scrutiny Committee, 15 June 2016) and Internal Audit.</p> | Effective |

ANNEX

| AUDIT | PURPOSE OF AUDIT | KEY RISK(S) | SUMMARY OF KEY FINDINGS | AUDIT OPINION |
|--------------------------|--|---|--|--|
| Budgetary Control Survey | At the end of the 2015/16 Internal Audit supported the Corporate Manager – Financial Services in compiling a survey of Councils’ budget holder’s opinions of, and requirements for, a budgetary control process. | Budgetary control does not meet the needs of the Councils. Financial forecasting and control is inadequate. Decision making is sub optimal from poor financial analysis. | Internal Audit constructed the survey on ‘Survey Monkey’ and provided access to budget holders. Budget holders responses were then collated and analysed by Internal Audit with a draft report issued to Finance in May 2016. | In line with this type of audit activity no opinion is given. See comment in Section 6.2.1 |
| Procurement – Housing. | Review how Housing uses Works Orders from Open Housing, linking into the new joint system and common procedures to reflect best purchase to pay practise. | New processes for Works Orders reflect Babergh and Mid Suffolk requirements a mapping of how Works Orders are currently used will be used to capture requirements and also identify opportunities to improve practices. | Audit mapped processes and worked with Procurement to identify opportunities and provide guidance on compliance and best practice. | In line with this type of audit activity no opinion is given. See comment in Section 6.2.1 |

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

***IBC Adequate** – Controls exist but there is some inconsistency in their application. This means that a few of the risks in the audit may need attention.

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

Audit opinions on key operational financial controls

| Number of Audit opinions made against key operating controls | | Payroll - HR Processing | Payroll - data upload | Rent BDC | Rent MSDC (BMSDC from 2016) | Income BDC | Income MSDC (BMSDC from 2016) | Treasury | GL | SRP | Payables | Receivables | Information Technology | Fixed Assets | Total | | |
|---|--|-------------------------|-----------------------|-------------|-----------------------------|------------|-------------------------------|----------|----|-----|----------|-------------|------------------------|--------------|-----------|---------------|-----------|
| | | | | | | | | | | | | | | | | High Standard | Effective |
| 2014/15 | | 3 | | 2 | 1 | 1 | 3 | 2 | 1 | 1 | 4 | 2 | 0 | * | 20 | | |
| | | 2 | | 3 | 3 | 2 | 1 | 4 | 2 | 2 | 0 | 4 | 4 | | 27 | | |
| | | 3 | | 1 | 2 | 2 | 1 | 0 | 2 | 2 | 1 | 2 | 1 | 2 | | 17 | |
| | | 8 | | 6 | 6 | 5 | 5 | 6 | 5 | 4 | 6 | 7 | | 0 | 58 | | |
| 2015/16 | | 7 | | 2 | 3 | 4 | 6 | 3 | 1 | 3 | 1 | 4 | | 4 | 38 | | |
| | | 0 | | 3 | 3 | 1 | 0 | 4 | 3 | 1 | 3 | 2 | | 1 | 21 | | |
| | | 0 | | 1 | 0 | 1 | 0 | 0 | 0 | 2 | 0 | 0 | 1 | | 0 | 5 | |
| | | 7 | | 6 | 6 | 6 | 6 | 7 | 6 | 4 | 4 | 7 | | 5 | 64 | | |
| 2016/17 | | 3 | 5 | | 4 | | # no audit | 1 | 0 | 3 | 2 | 6 | | * | 24 | | |
| | | 2 | 1 | | 2 | | | 6 | 6 | 1 | 2 | 1 | in progress | | 21 | | |
| | | 2 | 0 | | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | | 2 | | |
| | | 7 | | 0 | 6 | 0 | 0 | 7 | 6 | 4 | 4 | 7 | | 0 | 41 | | |
| Overall audit opinion | | Payroll - HR Processing | Payroll - data upload | Rent BDC | Rent MSDC (BMSDC from 2016) | Income BDC | Income MSDC (BMSDC from 2016) | Treasury | GL | SRP | Payables | Receivables | Information Technology | Fixed Assets | | | |
| | | | | | | | | | | | | | | | 2014/15 | 2015/16 | 2016/17 |
| | | | | | | | | | | | | | | | Effective | High Standard | Effective |
| | | | | | | | | | | | | | | | Effective | Effective | no audit |
| * External Audit annually verify the Fixed Asset valuations in the accounts. | | | | | | | | | | | | | | | | | |
| # No income audit was conducted this year as 1, the previous year had received 'High Standard, and 2, Audits were conducted on Licencing and Building Control which both contained tests for income management. | | | | | | | | | | | | | | | | | |
| | | High Standard | Effective | Ineffective | Poor | | | | | | | | | | | | |

Detail of Customer Satisfaction Responses to Audits:

| | Rents | Payables | CIL | Treasury | Payroll - data upload | Building Control | Communities Grants |
|--|---|---|---|---|---|---|--|
| Before the Audit | | | | | | | |
| Were you given adequate notification of the audit? | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Were you informed of the audit objectives? | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Were you able to discuss with the auditor the risks you felt should be addressed? | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Carrying out the Audit | | | | | | | |
| Did you feel that an environment of trust and confidence was achieved? | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Was the audit carried out in an efficient and timely manner? | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| If not were you kept informed of the progress towards final report? | N/A | N/A | Yes | Yes | N/A | N/A | Yes |
| Did the auditors work in a professional and helpful manner, with appropriate integrity? | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Reporting the Audit | | | | | | | |
| Were you given the opportunity to discuss the findings with the auditor throughout the audit as well as at draft report stage? | Yes | Yes | No | Yes | Yes | Yes | Yes |
| Were the findings adequately supported by evidence? | Yes | Yes | N/A | Yes | Yes | Yes | Yes |
| Were the recommendations in the final report practical? | Yes | Yes | N/A | Yes | Yes | Yes | Yes |
| Was the report issued in a timely manner following testing? | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Will the audit improve internal controls? (comments please) | Yes if given the resources to produce a policy as recommended | Yes – the report and advice from the Auditor has highlighted a couple of improvements which will improve governance. | None made | Yes. The retention of documents both physically onsite and offsite and electronically is currently under review | Yes it will. | Will try to maintain high standards | Yes it will highlight improvements we could implement |
| Will the audit enable you to improve your service internally and/or to our customers? If so how? (comments please) | Yes – see above | Yes – ensuring greater transparency around use of sundry suppliers and ensuring changes around the purchase to pay process are accounted for in our operations in a timely manner | No - but gives assurance that processes are working effectively | Yes, as above and being able to quickly and easily locate documents should queries over payments made to external agencies arise. | Yes – even better accuracy. | Will try to maintain high standards | it will help to ensure our systems are more efficient and easy to follow |
| What did we do well? What could we do better? (comments please) | | The audit was conducted in a professional manner and the Auditor was helpful in ensuring we had a common understanding, though we did revisit several times. | None made | Very happy with Auditor, comprehensive understanding of the area of work and approachable nature. | Great communication between Auditor and Auditee and I felt supported all the way. | Approach by Audit team was of a high standard | Good, friendly, communication at all times |
| Overall, how would rate the audit? | Good | Good | Excellent | Excellent | Excellent | Excellent | Excellent |

Draft Circulation:

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

William Shropshire Chair of the Joint Audit and Standards Committee – Babergh

Sue Ayres (Member with Special Responsibility)

Glen Horn (Portfolio Holder)

Peter Patrick (Portfolio Holder)

Katherine Steel Assistant Director, Corporate Resources

Emily Yule Temporary Assistant Director, Law and Governance, and Monitoring Officer

Agenda Item 8

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

| | |
|---|-------------------------------------|
| From: Corporate Manager – Internal Audit | Report Number: JAC104 |
| To: Joint Audit and Standards Committee | Date of meeting: 15 May 2017 |

LOCAL CODE OF CORPORATE GOVERNANCE 2016/17

1. Purpose of Report

- 1.1 To ensure that the Councils' Local Code of Corporate Governance is compliant with the new Chartered Institute of Public Finance and Accountancy (CIPFA)/ Society of Local Authority Chief Executives (SOLACE)/ Framework for Delivering Good Governance in Local Government.

2. Recommendation

- 2.1 That the Local Code of Corporate Governance attached as Appendix A be adopted.

3. Financial Implications

- 3.1 There are no direct financial implications as a result of this report.

4. Legal Implications

- 4.1 The Councils are required to ensure they have strong corporate governance arrangements in place so as to be able to effectively meet and discharge its obligations, responsibilities and duties. Inadequate governance arrangements could lead to significant governance issues arising leaving the Councils open to challenge.
- 4.2 Reviewing and amending the Local Code in accordance with the Framework will ensure that the Councils' governance arrangements are both fit for purpose and take into account the best practice guidance. An annual governance statement will need to be prepared in accordance with the Framework in order to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

5. Risk Management

- 5.1 This report is most closely linked with the Councils' Significant Risk No. 5c – Failure to develop clear governance arrangements that enable the right decision to be taken that are appropriate for the environment that we are operating in. Key risks are set out below:

| Risk Description | Likelihood | Impact | Mitigation Measures |
|---|--------------|---------|---|
| Failure to regularly monitor and improve the Councils' arrangements could weaken corporate governance, leaving the Councils open to external challenge. | Unlikely (2) | Bad (3) | Officer's working group formed to address governance processes. Internal and External Audit help to ensure a systemic, disciplined approach to evaluate and improve the effectiveness of risk management. Internal control and governance processes. |

6. Consultations

6.1 The Local Code of Corporate Governance review has been undertaken in consultation with senior management, key officers and Internal Audit.

7. Equality Analysis

7.1 There are no such direct implications arising.

8. Shared Service / Partnership Implications

8.1 Through the integration process Babergh and Mid Suffolk have, where possible aligned their governance arrangements while still recognising the separate sovereign nature of the Councils.

9. Links to Joint Strategic Plan

9.1 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.

10. Key Information

10.1 Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

10.2 The new CIPFA/SOLACE Framework, in the main mirrors the last CIPFA/SOLACE Guidance Framework.

10.3 The new CIPFA/SOLACE Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

10.4 The concept underpinning the framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.

10.5 By applying the principles in the Local Code, the Councils commit themselves to discharging its services to Babergh and Mid Suffolk residents in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity.

10.6 There are two main changes to the Local Code that have been made:

Principle D: Determining the interventions necessary to optimise achievement of the intended outcomes.

This aspect of the Local Code examines the strategic combination of legal, regulatory and practical interventions, with a view to them ensuring that the intended outcomes are achieved.

Principle G: Implementing good practices in transparency reporting and audit to deliver effective accountability.

The purpose of this aspect of the Local Code is to ensure that those making decisions and delivering services are held accountable for the same. Transparency is a key driver for this Local Code, with both internal and external audit required to contribute to effective accountability.

10.7 The Councils' revised Local Code of Corporate Governance has been amended to comply with the changes introduced by CIPFA/SOLACE. As with the previous Local Code, the Council is required to demonstrate through evidence how it meets all aspects of the Local Code. The revised Local Code detailed at Appendix A sets out the revised Local Code along with the evidence relied upon to demonstrate compliance.

10.8 The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

11. Appendices

| Title | Location |
|--|----------|
| A Revised Local Code of Corporate Governance | Attached |

12. Background Documents

12.1 CIPFA/SOLACE Guidance/Framework for Delivering Good Governance in Local Government 2016.

John Snell
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Appendix A



Babergh and Mid Suffolk District Councils

Local Code of Corporate Governance 2016/17

(Based on the new CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016)

Introduction

The main principle underpinning the development of the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is a clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance.

The term 'Local Code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes and documents.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

Babergh and Mid Suffolk District Councils are committed to the principles of good governance and demonstrates this commitment through development, adoption and implementation of this Local Code and will ensure that adequate arrangements are made with regard to its continued implementation, monitoring and review.

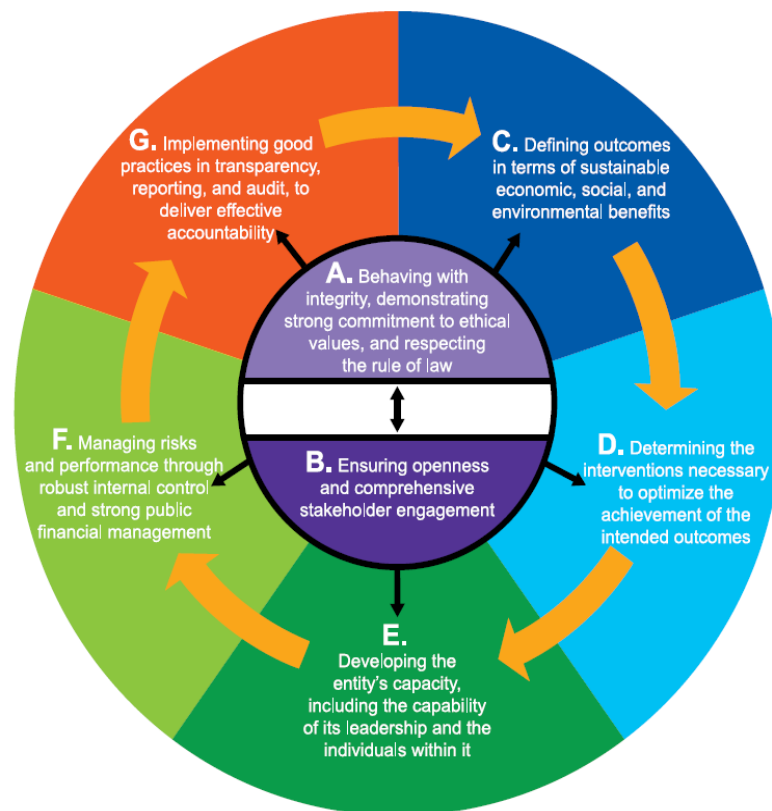
Core Principles of Good Governance

The seven principles of good governance set out in the Framework are:

- A. Strong commitment to integrity, ethical values, and the rule of law.
 - B. Openness and comprehensive stakeholder engagement.
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - D. Determining the interventions necessary to optimise the achievement of intended outcomes.
 - E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.
 - F. Managing risks and performance through robust internal control and strong public financial management.
 - G. Implementing good practices in transparency and reporting to deliver effective accountability.
-

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.

**Achieving the Intended Outcomes
While Acting in the Public Interest at all Times**



Applying the principles of Good Governance

Each of the seven core principles above has a number of sub principles, which in turn, translate into a range of specific behaviours and actions that apply across the various aspects of the organisation that demonstrate good governance. The table below (extracted from the CIPFA/SOLACE Framework) show how each of these principles should be applied. The third column describes how the Councils' apply the principles.

| Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | | |
|--|---|---|
| Sub principles | Behaviours and actions that demonstrate good governance | Demonstrated by: |
| Behaving with integrity | Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. | <ul style="list-style-type: none"> • The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals. • We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution. • We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers. • We maintain a Joint Audit and Standards Committee to raise awareness and take the lead |
| | Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). | |
| | Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. | |

| | | |
|---|--|--|
| | Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. | <p>in ensuring high standards of conduct are embedded within the Councils' culture.</p> <ul style="list-style-type: none"> We have put in place arrangements to ensure that Members and staff of the Councils are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies. We ensure that systems and processes for financial administration and control together with protection of the Councils' resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness. We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities. Officers will observe all specific legislative requirements placed upon the Councils as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making. |
| Demonstrating strong commitment to ethical values | Seeking to establish, monitor and maintain the organisation's ethical standards and performance. | |
| | Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. | |
| | Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. | |
| | Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation. | |
| Respecting the rule of law | Ensuring members and staff demonstrate a strong commitment to the law as well as adhering to relevant laws and regulation. | |
| | Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. | |

| | | |
|---|--|--|
| | Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. | <ul style="list-style-type: none"> • We have put in place effective systems to protect the rights of staff. We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Councils, and arrangements for the support of whistle-blowers, are in place. • We have established a governance group with a remit that includes reviewing assurance information across all the Councils. • We will publish an Annual Governance Statement, signed by the Chief Executive and both Leaders of each Council to confirm that we are satisfied that we have effective governance arrangements in place. |
| | Dealing with breaches of legal and regulatory provisions effectively. | |
| | Ensuring corruption and misuse of power are dealt with effectively. | |
| Core Principle B: Ensuring openness and comprehensive stakeholder engagement | | |
| Sub principles | Behaviours and actions that demonstrate good governance | Demonstrated by: |
| Openness | Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. | <ul style="list-style-type: none"> • We will ensure that the Councils' vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated. • We will maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what. • We will 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. |
| | Making decisions that are open about actions, plans, resource use, forecasts outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. | |
| | Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and | |

| | | |
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| | <p>considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/course of action.</p> | <p>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 and our 'Open for Business' programme.</p> <ul style="list-style-type: none"> • We will publish an annual report giving information on the Councils' vision, strategy, plans and financial statements as well as information about outcomes, achievements. • We will deliver effective scrutiny of the Councils' business as appropriate and produce an annual report on the activities of scrutiny function. • We will ensure that the Councils as a whole are open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so. • The publication of the forthcoming decisions list will give a minimum of 28 days' notice of proposed key decisions to be made by the Cabinet or by officers under delegated authority. |
| Engaging comprehensively with institutional stakeholders | Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. | |
| | Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. | |
| | Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit. | |
| Engaging with individual citizens and service users effectively | Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. | |

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| | <p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>Taking account of the impact of decisions on future generations of tax payers and service users.</p> | |
| Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits | | |
| Sub principles | Behaviours and actions that demonstrate good governance | Demonstrated by: |
| Defining outcomes | <p>Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions.</p> | <ul style="list-style-type: none"> • We will make a clear statement of the Councils' purpose and vision and use it as a basis for corporate and service planning. • We will publish an annual report on a timely basis to communicate the Councils' activities and achievements, its financial position and performance. • We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, |

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| | <p>Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</p> | <p>timely and gives clear explanations of technical issues and their implications.</p> <ul style="list-style-type: none"> • We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services. This is against a backdrop of developing a new performance management framework so that we are clear what success will look like and how we measure it. • We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved. • We ensure compliance with the CIPFA codes regarding: a Prudential Framework for Capital Finance and Treasury Management; applying the principles and practices of accounting required to prepare the Statement of Accounts • We have produced a Joint Medium Term Financial Strategy (MTFS) which sets out the Councils' approach for delivering our strategic priorities and the management of our finances. • We also 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. |
| | <p>Delivering defined outcomes on a sustainable basis within the resources that will be available.</p> | |
| | <p>Identifying and managing risks to the achievement of outcomes.</p> | |
| | <p>Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.</p> | |
| <p>Sustainable economic, social and environmental benefits</p> | <p>Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decision about service provision.</p> | |
| | <p>Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</p> | |
| | <p>Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</p> | |

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| | Ensuring fair access to services. | <ul style="list-style-type: none"> We will ensure that economic, social and environmental impacts are considered in the Specification of Requirements for suppliers, services and works and selection of suppliers. The Senior Leadership Team and Portfolio Holders have a monitoring and quality control role. |
| Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes | | |
| Sub principles | Behaviours and actions that demonstrate good governance | Demonstrated by: |
| Determining interventions | Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. | <ul style="list-style-type: none"> We will make a clear statement of the Councils' purpose and vision and use it as a basis for corporate and service planning. We have risk management arrangements in place including mitigating actions to support the achievement of the Councils' intended outcomes. We will ensure that there are effective arrangements in place to monitor service delivery. We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents. We have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during an emergency. We will provide senior managers and Members with timely financial and performance information. |
| | Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. | |
| Planning interventions | Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. | |

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| | Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. | <ul style="list-style-type: none"> • Our performance framework is developing in order to provide a strong evidence base for organisational improvement and transformation, better decision making and the efficient use of our resources. • We ensure that budget calculations are robust and reserves are adequate as defined in the policy and budget framework. • We have produced a Joint Medium Term Financial Strategy (MTFS) which sets out the Councils' approach for delivering our strategic priorities and the management of our finances. • The Councils' budget and policy framework is contained within the respective Constitution. |
| | Considering and monitoring risks facing each partner when working collaboratively, including shared risks. | |
| | Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances. | |
| | Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. | |
| | Ensuring capacity exists to generate the information required to review service quality regularly. | |
| | Preparing budgets in accordance with objectives, strategies and the medium term financial plan. | |
| | Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. | |
| Optimising achievement of intended outcomes | Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. | |

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| | <p>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</p> <p>Ensuring the medium term financial strategy sets the context for ongoing decision on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</p> <p>Ensuring the achievement of “social value” through service planning and commissioning.</p> | |
| Core Principle E: Developing the entity’s capacity, including the capacity of its leadership and the individuals within it. | | |
| Sub principles | Behaviours and actions that demonstrate good governance | Demonstrated by: |
| Developing the entity’s capacity | <p>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</p> <p>Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.</p> <p>Recognising the benefits of partnerships and collaborative working where added value can be achieved.</p> | <ul style="list-style-type: none"> • Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Councils’ Cabinet Committee and the Members individually. • We have set out a clear statement of the respective roles and responsibilities of the Councils’ other committees and senior officers. • We are developing protocols to ensure effective communication between Council Members and officers in their respective roles. • We have developed protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and |

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| | Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources. | that a shared understanding of roles and objectives is maintained. |
| Developing the capability of the entity's leadership and other individuals | Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. | <ul style="list-style-type: none"> We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011. |
| | Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. | <ul style="list-style-type: none"> We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required. |
| | Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. | <ul style="list-style-type: none"> We will ensure that effective management arrangements are in place at the top of the organisation. |
| | Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risk by:- - Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and | <ul style="list-style-type: none"> The Chief Executive is responsible and accountable to the Council for all aspects of operational management. The Chief Financial Officer, who is also the Councils' Section 151 Officer, is the Assistant Director Corporate Resources and is a member of the Councils' Senior Leadership Team (SLT), with access to the Chief Executive and other members of the leadership team. The Section 151 Officer is responsible to the Councils for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. We have appointed a professionally qualified and experienced Assistant Director Corporate |

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| | <p>organisational requirements is available and encouraged.</p> <ul style="list-style-type: none"> - Ensuring members and offices have the appropriate skills, knowledge resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis. - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. | <p>Resources, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Councils.</p> <ul style="list-style-type: none"> • The Monitoring Officer is responsible to the Councils for ensuring that the constitution is adhered to. • We will assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively. • We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively. • We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. • We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Councils. • We provide the Assistant Director Corporate Resources with the resources, expertise and systems necessary to perform the role effectively within the Councils. |
| <p>Ensuring that there are structures in place to encourage public participation.</p> | | |
| <p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p> | | |
| <p>Holding staff to account through regular performance reviews which take account of training or development needs.</p> | | |
| <p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p> | | |

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| | | <ul style="list-style-type: none"> We provide an induction programme for Councillors and officers as well as training and development through the OD Plan. |
| Core Principle F: Managing risks and performance through robust internal control and strong public financial management | | |
| Sub principles | Behaviours and actions that demonstrate good governance | Demonstrated by: |
| Managing risk | Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. | <ul style="list-style-type: none"> We will maintain an effective Joint Audit and Standards Committee which is independent of the executive and scrutiny functions. We will enable the Assistant Director Corporate Resources to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained. We will ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job. We will ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports. We will ensure effective internal control arrangements exist for sound financial management systems and processes. Our outcome performance framework looks to measure the impact the Councils (and partners) are having on improving community conditions and quality of life. This includes measuring the desired results and outcomes of our key projects, activities and services that deliver the agreed |
| | Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. | |
| | Ensuring that responsibilities for managing individual risks are clearly allocated. | |
| Managing performance | Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. | |
| | Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. | |
| | Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making. | |

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| | <p>Providing members and senior management with regular reports on service delivery plans on progress towards outcome achievement.</p> <p>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</p> | <p>priorities and ambitions of the Councils.</p> <ul style="list-style-type: none"> • Councillors can monitor achievement of important impacts and outcomes through half-yearly reporting with self-service of traditional output measures. |
| Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability. | | |
| Sub principles | Behaviours and actions that demonstrate good governance | Demonstrated by: |
| Implementing good practice in transparency | <p>Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p> | <ul style="list-style-type: none"> • We largely comply with the local government transparency code and publish all required information in a timely manner. • We have established a Medium Term Financial Strategy for business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review. This is supported by a detailed budget book. |
| | <p>Striking a balance between providing the right amounts of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</p> | |
| Implementing good practice in reporting | <p>Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.</p> | <ul style="list-style-type: none"> • We have put in place effective transparent and accessible arrangements for dealing with complaints. • We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Councils' performance overall. • We will maintain an effective Joint Audit and Standards Committee which is independent of the Executive, Strategy and Scrutiny committees. |
| | <p>Ensuring members and senior management own the results reported.</p> | |
| | <p>Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the</p> | |

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| | <p>results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).</p> | <ul style="list-style-type: none"> • We will ensure an effective internal audit function is resourced and maintained. • We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based. • We will attempt to publish all committee agenda items under “part 1” unless there is the need to preserve confidentiality where it is proper and appropriate to do so. • We will put in place arrangements for whistle-blowing to which staff and all those contracting with the Councils have access. • We follow the CIPFA code of practice for the Statement of Accounts which is aiming for comparability with other authorities. • We have produced a Joint Medium Term Financial Strategy (MTFS) which sets out the Councils’ approach for delivering our strategic priorities and the management of our finances. This is supported by our budget and policy framework and financial procedure rules. • We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Councils. • We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011. |
| Assurance and effective accountability | <p>Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</p> | |
| | <p>Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.</p> | |
| | <p>Ensuring that recommendations for corrective action made by external audit are acted upon.</p> | |
| | <p>Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.</p> | |
| | <p>Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</p> | |
| | <p>Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.</p> | |
| | <p>Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</p> | |

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| Robust internal control | <p>Aligning the risk management strategy and policies on internal control with achieving objectives.</p> <p>Evaluating and monitoring risk management and internal control on a regular basis.</p> <p>Ensuring effective counter fraud and anti-corruption arrangements are in place.</p> <p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p> <p>Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> - Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - That its recommendations are listened to and acted upon. | <ul style="list-style-type: none"> • We have in place information management policies and processes. |
| Managing data | <p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</p> <p>Ensuring effective arrangements are in place and operating effectively, when sharing data with other bodies.</p> | |

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| | Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. | |
| Strong public financial management | Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance. | |
| | Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls | |

Annual Review and reporting

Each year the Councils will carry out a review of their Governance arrangements to ensure compliance with this Code in accordance with CIPFA/SOLACE “Delivering Good Governance in Local Government” (2016) Framework. The purpose of the review will be to provide assurance that governance arrangements are adequate, operating effectively and to identify action for improvement.

The outcome of the review is factored into the joint Annual Governance Statement prepared on behalf of the Leaders of each Council and the Chief Executive. It will be submitted to the Joint Audit and Standards Committee for their consideration and review.

A copy of this Local Code of Corporate Governance will be made available to the public on the Councils’ website, as will a copy of the Annual Governance Statement.

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Agenda Item 9

BABERGH DISTRICT COUNCIL AND MID SUFFOLK DISTRICT COUNCIL

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| From: Corporate Manager – Internal Audit | Report Number: JAC105 |
| To: Joint Audit and Standards Committee | Date of meeting: 15 May 2017 |

JOINT ANNUAL GOVERNANCE STATEMENT 2016/17

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 2016/17, 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) 2016/17 (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 Temporary Assistant Director – Law and 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 Temporary Assistant Director - Law and 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 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) recently consulted on a revised Framework for delivering good governance in Local Government, which will be applied against the 2016/17 Statement. The revised Framework builds on the International Framework 2014 and places sustainable economic, societal and environment outcomes as a key focus for governance processes and structures. In addition, the core principles and sub principles from the Framework have been adapted and translated into a series of expected behaviours and outcomes which demonstrate good governance in practice.
- 3.5 The AGS is required to be published to accompany the published Statement of Accounts.
- 3.6 The AGS has been prepared in consultation with key senior officers to reflect the operations of each Council during 2016/17.
- 3.7 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.
- 3.8 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 There are no direct financial implications as a result of this report.

5. Legal Implications

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

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 |
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| 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 2016/17 | Attached |

12. Background Documents

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

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Annual Governance Statement 2016/17

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 generally refers to the processes by which organisations are directed, controlled, led and held to account.

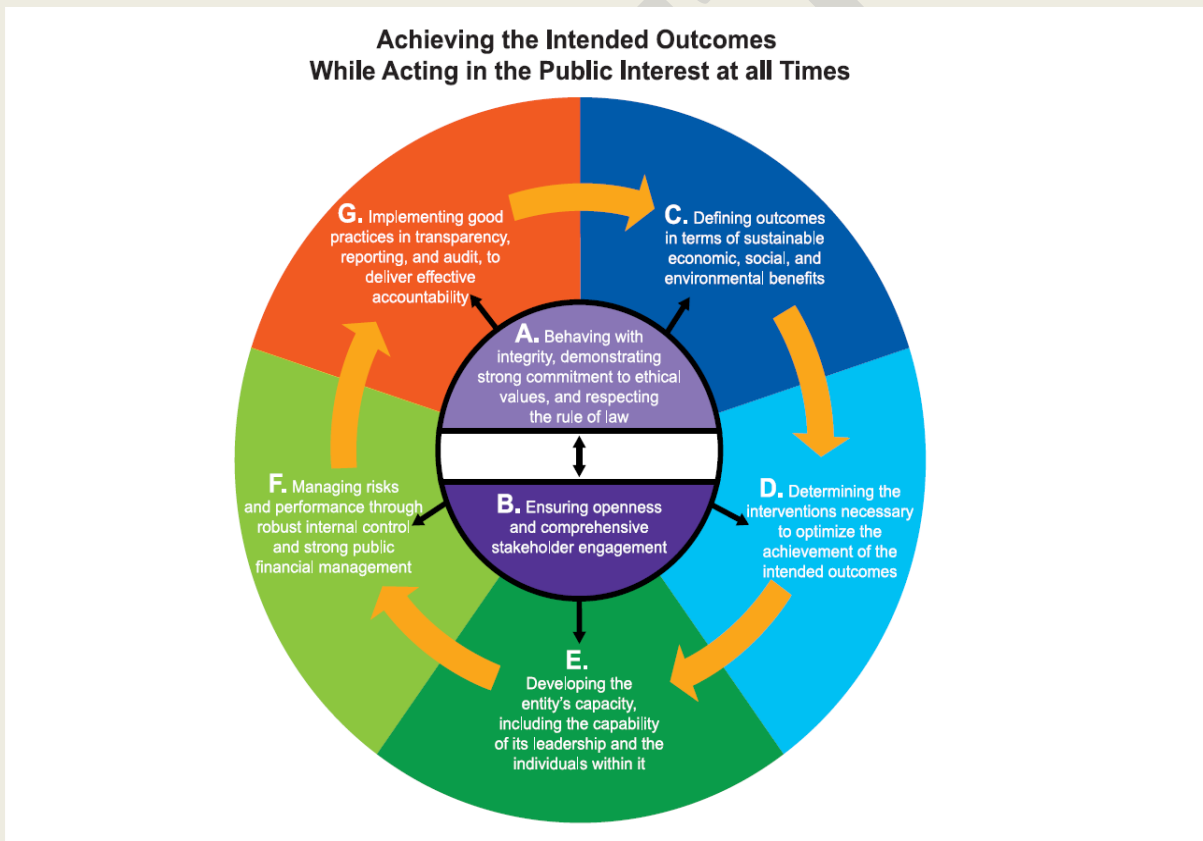
Each Council's governance framework aims to ensure that it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that its use of public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

The governance framework comprises the culture, values, systems and processes by which the Councils are directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

The Councils have a Local Code of Corporate Governance. It is consistent with the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016. A high level summary of the principles can be found on the following page.

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.



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.

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

The Councils: How they work

Councillors of each authority meet together as the Council. Meetings are normally open to the public. The conduct of each Council's business is defined by formal procedures and rules, which are set out in their respective Constitutions.

The Constitution explains the role and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the financial management and procurement arrangements and the Code of Conduct for Members.

Further information on the Councils' Constitution and decision making structure including dates of meetings, agendas and reports can be found on each Council's websites.

The Joint Strategic Plan sets out how the Councils aim to provide services to deliver positive, sustainable change in our individual and business communities over the next five years.

The priorities will be delivered under five key strategic outcomes:

- Housing delivery – More of the right type of homes, of the right tenure in the right place;
- Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type, in the right place and encourage investment in skills and innovation in order to increase productivity;
- Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient;
- Assets and investments – Improved achievement of strategic priorities and greater income generation through use of new and existing assets; and
- An enable and efficient organisation – The right people, doing the right things, in the right way, at the right time, for the right reasons.

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 are required to appoint a Monitoring Officer whose role includes ensuring that decision making is lawful and fair. Following a recent change in staff the position from January 2017 is currently held by the Temporary Assistant Director – Law & Governance.

The Councils and their decisions are open and accessible. All reports requiring a decision are considered by Legal, Finance and Internal Audit (risk) staff before being considered by the relevant decision making forum.

In meeting the requirements of the Local Government Transparency Code 2015 the Councils have also published on their website a wide range of open data and information.

Change of Governance – Adopting the Cabinet-Leader Model

In autumn 2016 the Leaders of both Councils set out their intentions to pursue a move to the 'leader-cabinet' governance system effective from May 2017. In December 2016 both Councils agreed to adopt the Leader-Cabinet model of governance.

The decision is closely linked to the current work being undertaken by the two Councils with the Local Government Boundary Commission for England (LGBCE). As part of these electoral reviews the Councils need to provide details of their governance arrangements to the LGBCE as part of each Councils' 'council size' submission.

The Councils' well established joint cross-party 'Strengthening Governance' Task and Finish Group have met regularly to consider the decision and its broader implications. This includes a session facilitated by the Centre for Public Scrutiny (CfPS) which focused on the development of design principles and a common understanding of the outcomes of any governance change.

The adoption of a 'leader-cabinet' model will deliver a number of the Councils' Joint Strategic objectives, namely:

- A more consistent, clearer, proportionate and efficient mechanism for decision making, ensuring increased officer and Councillor capacity for delivery;
- Greater levels of openness, transparency and collaboration through a stronger Scrutiny Committee function, with legally enshrined mechanisms e.g. 'Key Decision' thresholds and 'Call-ins';
- Increased responsibility, separation, and clarification of functions leading to increased accountability to Council and the electorate; and
- Parity and flexibility for the leaders and cabinets to represent and influence within the 'Suffolk system' through wider partnership working, particularly in the context of Devolution within Suffolk.

Adoption of revised Constitution

In order to operate within this governance structure, it is necessary to make a number of changes to each Council's Constitution. These changes are primarily

concerned with the Council and Cabinet procedural rules, the responsibility of functions, the scheme of delegations, the financial regulations and Contract Standing Orders.

The Strengthening Governance Task and Finish Group were consulted on the approach to the constitution review and the amendments that followed. The Senior Leadership Team (SLT) and other key officers were also consulted on the changes, particularly in relation to the officer scheme of delegations.

The Monitoring Officer is required to undertake annual reviews of each Council's Constitution. This function is allocated to the Joint Audit and Standards Committee who see that the Constitution is reviewed section by section on a rolling basis, with any compulsory changes being dealt with on an ad hoc basis. The Joint Audit and Standards Committee will submit any recommendations for changes to the Constitution to full Council for approval. This will result in a complete review of each Council's Constitution being concluded at least every five years.

Role of the Audit Committee

The Joint Audit and Standards Committee has, amongst other functions, responsibility for undertaking the Councils' responsibilities in relation to financial governance issues; considering the effectiveness of the joint risk management arrangements, the control environment and associated anti-fraud and corruption arrangements; and be satisfied that the joint Annual Governance Statement properly reflects the risk environment and any actions taken to improve it. This meets the core functions of an Audit Committee, as described in CIPFA's Audit Committees: Practical Guidance for Local Authorities.

The Committee ensures a consistency of approach, avoids duplication of resources and improves joint working between both Councils and will only address matters which are being progressed across both Councils.

Issues that are pertinent only to a single Council area will remain the preserve of that Council's Audit Committee.

Role of the Joint Scrutiny Committee

The general role of the Joint Scrutiny Committee is to review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Councils functions; make reports and/or recommendations to the full Councils and/or the Executive and Strategy Committees with respect to matters with the discharge of any function and any matters affecting the area or its inhabitants.

This Committee will seek to address matters which are being progressed across both Councils. Issues that are pertinent only to a single Council area will remain the preserve of that Council's Scrutiny Committee.

Financial implications

The Government's new arrangements for funding local government, although reducing, provides more certainty and control of risk. Councils are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas.

The way we operate, our priorities and resources are changing dramatically as a result of this, we have developed:

- A new business model to enable us to respond to changes in Government funding that will support the delivery of strategic priority outcomes and medium term financial sustainability;
- An investment strategy that maximises incentivised and other funding streams e.g. New Homes Bonus and Business Rates and that delivers additional income and savings in the future;
- Achieving efficiencies and cost reductions, through collaborative working and getting the basics right;
- A clear financial strategy, including a revenue budget and capital investment strategy that supports the above and sets out how we aim to tackle the Budget gap over the next 4 years; and
- A more commercial approach, which includes the establishment of a Holding company through which we can generate additional income.

During 2016/17 the finance team changed the role of the Financial Services Officers to Business Partners. The role of the Business Partner is to support the operational delivery teams in all aspects of financial management including robust budget monitoring, budget setting, using a zero based budget approach, and challenge and advice. They are supporting delivery of outcomes and ensuring controls are in place during transformation.

Ensuring compliance with relevant laws and regulations

Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures, including proactive monitoring of proposals and decisions.

Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Councils where, in her opinion, a proposal, decision or omission by the Council, its Councillors or Officers is, or is likely to be, unlawful and also to report on any investigation by the Local Government Ombudsman. To facilitate the early identification of potential issues, the Monitoring Officer attends Senior Leadership Team meetings. It has not been necessary for the Monitoring Officer to issue any reports under Section 5 of the Local Government and Housing Act 1989 for the year 2016/17.

Role of the Chief Financial Officer

Each Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) as set in the Addendum to Delivering Good Governance in Local Government: Framework (2016 Edition) (CIPFA/SOLACE).

The s151 Officer attends Senior Leadership Team, this being the key officer decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of both Councils.

All material financial decisions must be approved by the s151 Officer. The decision making structure of both organisations is designed to ensure that this happens through the report approval framework.

Processes, systems internal controls and risks are maintained and frequently reviewed in order to ensure that good financial management exists across both organisations and that value for money is achieved.

The Corporate Manager – Financial Services has responsibility for Finance for both Councils, is professionally qualified and skilled and is provided with the necessary resources to provide a finance function that is fit for purpose and suitably equipped to meet organisational and stakeholder needs.

Ensuring development needs for staff and Councillors are met

The leadership development programme continued through extending Leadership in Mind sessions investing in individual 360 profiles and completing a full organisational cultural survey.

The results of the cultural survey are now being used to plan and deliver bespoke interventions for teams. An updated one to one process was developed with Union collaboration and is continuing to evolve.

A programme of learning and development events which continued to underpin the essential skills and behaviours required by staff were designed and delivered. For example, negotiation and influencing workshops, fair and consistent selection, one to one conversations – stage 2 (dealing with challenging behaviours and issues). In line with the All Together Programme workshops on dealing with change have been offered to staff. Through these workshops we have promoted a variety of supports for health and wellbeing.

The Councillor Support Programme launched back in May 2015 received positive feedback and this programme of work continues to be developed and focussed on supporting Councillors to fulfil their roles within their communities.

We have conducted an organisation wide cultural survey the results of which are being used to raise awareness and encourage constructive behaviours.

Statutory Officers' working group

Regular Statutory Officers' meetings have been reinstated to identify and discuss any potential governance issues.

Strengthening Governance Working Group

A Strengthening Governance Working Group exists attended by appropriate senior officers. The Group meet on a regular basis focussing on strengthening governance across the Councils with specific reference to constitutional reform, scrutiny and schemes of delegation. Additional areas considered include implementation of a Leader/Cabinet model, implementation of the modern.gov capability, approach to risk management and its framework and commissioning and procurement for outcomes.

As a result and working with Councillors a number of reforms to the constitution have been successfully implemented alongside a very successful roll out across the organisation of the revised commissioning and procurement framework.

Understanding of business intelligence and performance has progressed significantly alongside the review of the Risk Management Strategy.

Performance Management

Councillors approved our new performance framework in December 2015 which recognises the importance of good governance in managing risks and performance through robust internal control and strong public financial management. It also provides a strong evidence base for organisational improvement and transformation, better decision making and the efficient use of our resources.

The developing new approach focuses us on measuring the desired results and outcomes of key projects and activities, underpinning the agreed priorities and ambitions of the Councils, shifting us towards measuring the impact the Councils (and partners) are having on improving community conditions and quality of life, across Suffolk, in each District and in each Place.

A joint progress report containing high level indicators was presented to Councillors at Strategy and Executive in July 2016, with a performance report containing an executive summary of achievements for the period April to August 2016 presented in September 2016. Following discussion with our Councillors it was agreed that we would develop a tried and tested approach using tracking (lagging) and influencing (leading) indicators. This approach fits with our agreed Performance Framework, building upon clarity of our outcomes and an understanding of the environment around us (the trackers), identifying and measuring the key activities that will deliver our agreed priorities (the influencers). A report was presented to Councillors in

December 2016 identifying our half-yearly position using these indicators. It set a baseline upon which future reports will track our progress and identify trends.

Our framework also includes an ability to self-serve, on our websites, a range of more traditional output 'Facts and Stats' information, and of Socio-economic parish profiles.

Information Governance

We continue to work closely with Suffolk County Council delivering efficient IT facilities for staff and Councillors. Babergh and Mid Suffolk IT staff are now managed by Suffolk County Council staff directly. This ensures tighter integration and enables quicker development when integrating systems. We now have a single Open Housing system which collects rents and deals with Housing repairs for both Babergh and Mid Suffolk. We have recently re-launched our new joint website.

We are preparing for our move to Endeavour House and digitising as much information as possible and loading it into existing back office IT systems so that staff can access the information from anywhere, at anytime. As part of this work we are carrying out a detailed information management audit which will become a register of all the information we hold both electronically and in storage. The audit will go further to identify how long data should be kept and whether information can be shared with external partner organisations. We have carried out a series of FOI and Data Protection training days for staff including training the Senior Information Risk Owner (SIRO) so that all staff understand the risk and learn how best to respond to requests.

The Information Governance Board continues to meet quarterly and review processes and procedures as well as any breaches that may have occurred to establish lessons learned.

Managing key risks

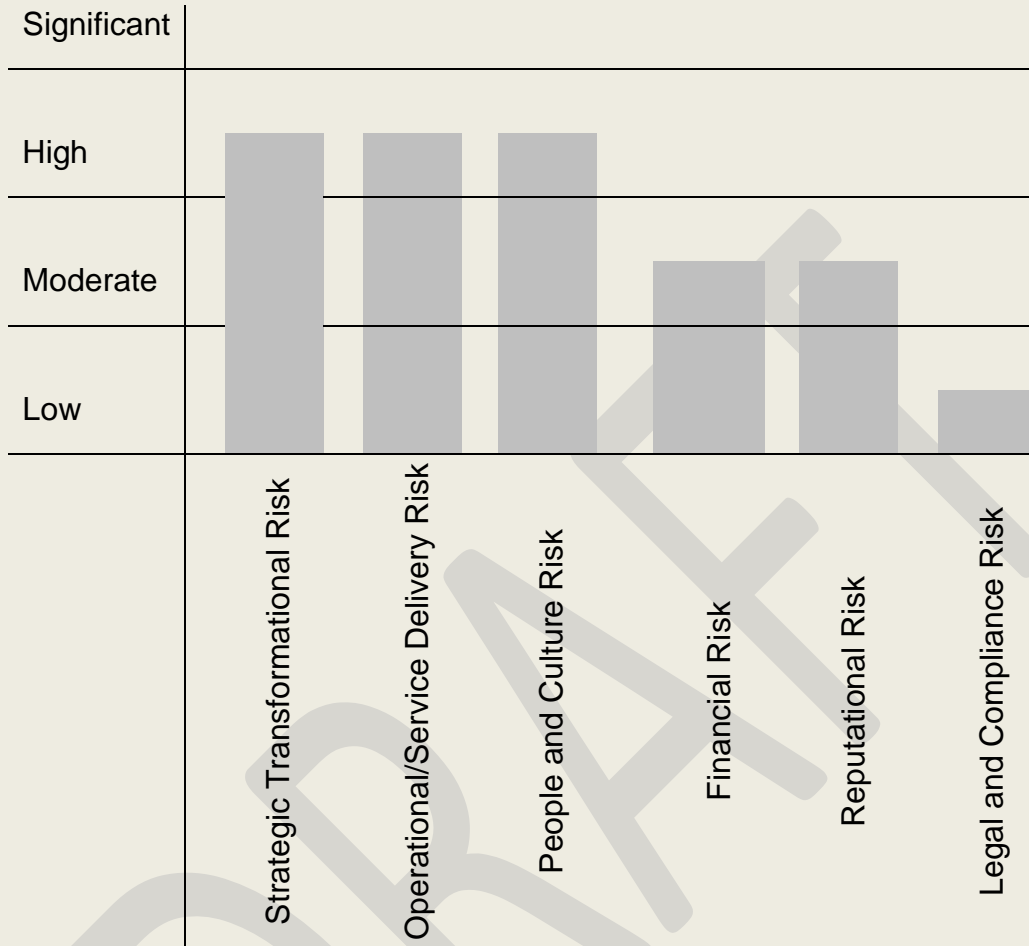
All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take. Managing risk is a key element of service planning and delivery.

Risk Management Strategy

The Councils have a Risk Management Strategy. It was reviewed by the Joint Audit and Standards Committee in January 2016 to ensure it remains appropriate and reflects the approach the Councils wish to take to the management of risk.

The successful delivery of the Councils' strategic priorities depends on the Councils' ability to tolerate and manage risk rather than eliminate it altogether. A certain amount of risk taking is inevitable. The Risk Management Strategy recognises this and different 'risk appetite' limits have been set that reflect key service aspects as shown below:

Risk Appetite by area 2016



Significant Risk Register

As part of good governance, the Councils' manage and maintain a register of its Significant Business Risks - assigning named individuals as responsible officers for ensuring the risks and their treatment measures are monitored and effectively managed.

The risk register is a critical tool for the service in capturing and reporting on risk activity and the organisations risk profile. The risk register is a working spreadsheet where new risks are captured, others are managed to extinction and some require close and regular monitoring.

Risk review process

SLT regularly review and update the Significant Risk Register, which is reported to the Strategy and Executive Committees half yearly (Cabinet from May 2017 onwards) and the Joint Audit and Standards Committee annually.

Primarily Councillors and management will be focussed on the strategic and business critical risks that could impact on the achievement of objectives or successful delivery of outcomes. More detailed business operation risks are the primary concern of services and functions, where managers will be controlling and monitoring their risks and escalating these to a strategic level if they are no longer containable and manageable at a functional level.

Role of the Audit and Risk Management Services Team

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.

Counter Fraud and Corruption Arrangements

Councillors of the Joint Audit and Standards Committee receive an annual report entitled 'Managing the Risk of Fraud and Corruption' that provides a clear basis for raising awareness by setting out information that has been communicated to Councillors, staff and other stakeholders of the work the Councils undertake to manage the risk of fraud and corruption. It brings together in one document a summary of the outcomes of our work to deter, prevent and detect frauds and corruption over the last 12 months.

Each Council's expectation of propriety and accountability is that Councillors and employees, at all levels, will lead by example in ensuring adherence to legal requirements, policies, procedures and practices.

With the exception of Housing Benefit fraud, which moved to the DWP within a new team called the 'Single Fraud Investigation Service (SFIS) on May 2015, all other corporate fraud responsibilities remain the responsibility of management. These are set out in the Councils' 'Prevention of Financial Crime Policy'.

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. This register enables the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the Internal Audit planning process.

Whistleblowing and investigating Complaints

A strong ethical and performance framework is in place to enable staff and Councillors of both Councils to operate effectively in their respective roles. Internal Audit has created a single document entitled 'Prevention of Financial Crime Policy', which includes the Whistleblowing Policy. The Whistleblowing Policy allows staff, Councillors and members of the public, including contractors, to raise matters in a confidential manner to the Council.

A formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Councils.

The Joint Audit and Standards Committee receive reports on any complaints made against Councillors relating to breaches of the Code of Conduct. Details of how to make a complaint and the Committee's procedure for dealing with Councillor complaints are available on each Council's website.

Internal Audit

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

Internal Audit is required by the Public Sector Internal Audit Standards (PSIAS) to review how they work each year. The Corporate Manager – Internal Audit annually considers the effectiveness self-assessment and shares the results with the Assistant Director – Corporate Resources. The Corporate Manager – Internal Audit concludes that Internal Audit was acting effectively and largely conforms with the PSIAS.

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 2017, their opinion was that the Councils' control environment and systems of internal control provide adequate assurance over key business processes and adequate assurance over financial systems.

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

Commissioning and Procurement

The Councils' Joint Contract Standing Orders (CSOs) were reviewed in line with business requirements and a revised version implemented in November 2016, accompanied by an update of the Commissioning & Procurement Manual. The Procurement Scheme of Delegation has been reviewed and in response to the

Councils' business requirements simplified to enable improvement in the efficiency of the Councils' procurement processes.

Investment Programme

The design of a Capital Investment Funds, governance framework and delivery model, to achieve the Councils' approach to investment in land and property to generate financial returns and meet key strategic outcomes. Providing the Councils with a clearly defined approach to investment and expedient governance and delivery arrangements enable the Councils to maximise financial returns and maximise impact against key strategic priorities.

Looking ahead 2017/18

Cabinet-Leader model

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.

This reflects advice that CfPS has given to other local authorities embarking on review and change of their governance arrangements. This approach will allow different methods and systems for decision-making to be discussed and experimented with, modified and refined over time.

Finance business model

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.

Further development of the business model will focus on:

- Maximising income and incentivised funding;
- Using one off or temporary money to generate ongoing funding and income streams or to reduce our costs;
- 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;
- 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

- Being more commercial, using prudential borrowing and other available funding to deliver 'profit for purpose' and new income streams.

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.

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 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.

Risk Management

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 effect the achievement of the following risk management areas:

- Promoting the consistent use of risk management and ownership of risk at all levels;
- Continual development of the Significant Risk Register and operational/project and programme registers;
- Building and maintaining a risk aware culture across the Councils, including appropriate education and training;
- Developing, implementing and reviewing the risk management framework and risk management processes to ensure they remain fit for purpose;
- Linking with other functions of the Councils, namely Health and Safety and Performance Management.
- Reporting, escalating and communicating risk management issues to key stakeholders.

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.

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 xx/xx/xxxx

Signed

Jennie Jenkins, Leader of the Council –
Babergh DC

Date xx/xx/xxxx

Signed

Nick Gowrley, Leader of the Council – Mid
Suffolk DC

Date xx/xx/xxxx

DRAFT

Agenda Item 10

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

| | |
|---|-------------------------------------|
| From: Corporate Manager – Internal Audit | Report Number: JAC106 |
| To: Joint Audit and Standards Committee | Date of meeting: 15 May 2017 |

END OF YEAR SIGNIFICANT RISKS POSITION STATEMENT AND PROGRESS REPORT

1. Purpose of Report

- 1.1 The report details movements of Significant Risks up to 31 March 2017 and the work undertaken around risk management processes since April 2016.

2. Recommendations

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

3. Key information

- 3.1 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, approved by Executive and Strategy Committees, further outlines our approach.
- 3.2 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/or group sessions.
- 3.3 Part of this risk management process involves training and embedding and this is demonstrated by a workshop which was held for Senior Leadership Team (SLT) in January 2017 by an external consultant, where all areas of the register were reviewed and new risk descriptions written. It was acknowledged following the workshop that there was still further work to be done on assigning mitigating actions and scores. SLT took the decision to focus on the two largest areas; Housing Delivery and Assets and Investments. These two areas were further refined and now reflect the new risks identified. Work to progress the remaining three themes will continue into 2017/18. The new risk descriptions are intended to provide more information to the reader, including the consequences in addition to the risk itself.
- 3.4 This report details movements of Significant Risks up to 31 March 2017 and the work undertaken around risk management processes since April 2016.

Significant Risk Register - Current position

- 3.5 As at March 2017 there are 22 risks on the register, 2 low, 15 medium and 5 high. Mitigation progress for all risks is 'on track' with no issues identified. 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.
- 3.6 The register now includes details of 'Inherent' risk scores so that it more clearly demonstrates the progress made to reach the 'Current' risks score. Inherent scores relate to the level of risk before any mitigation is put in place. The bar charts below demonstrate both the current risk scores and mitigation RAG status for each theme and should be read in conjunction with the register and risk matrix (Appendix A and B attached and the Key below:)

Risk scores:



Low risk (1-3)



Medium risk (4-6)



High/V High risk (8-16)

RAG status ref mitigation progress:



Better than expected progress



On target



Poor progress and possible issues

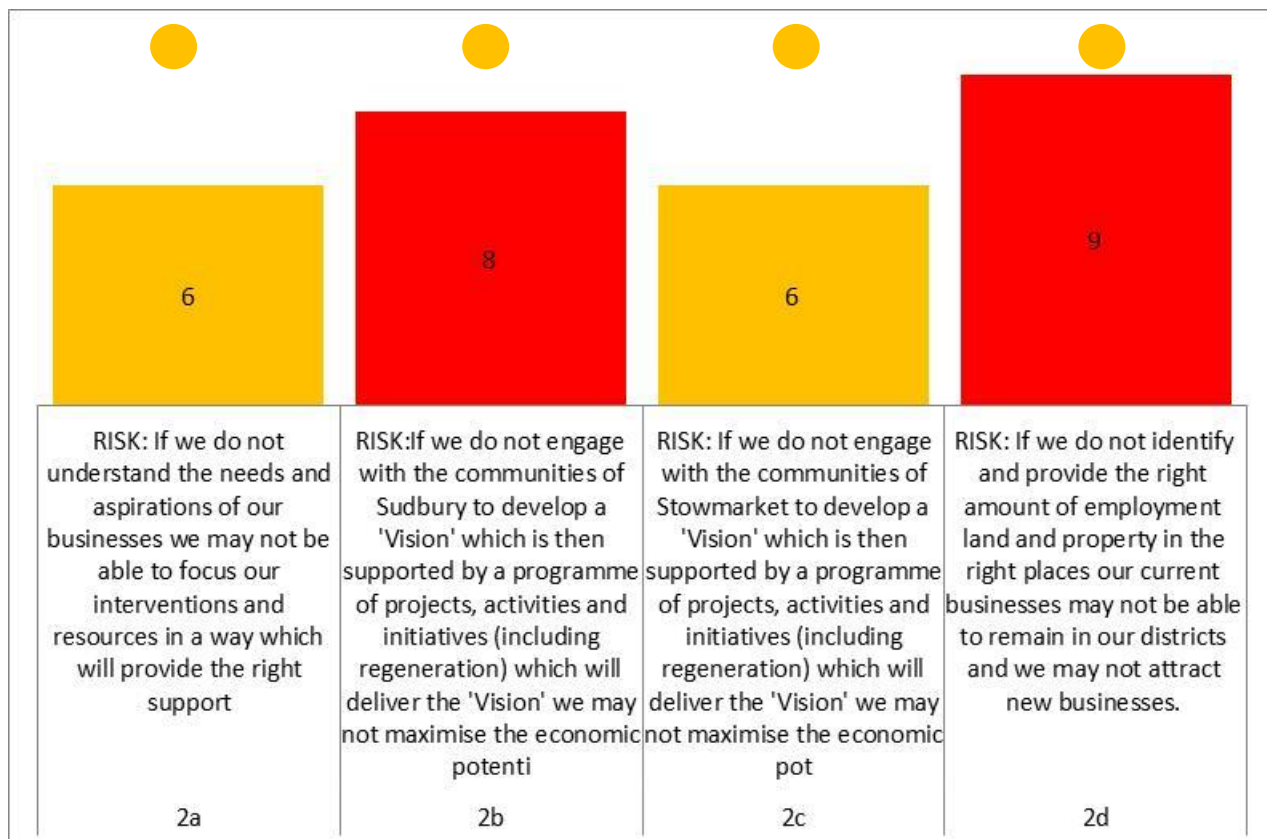
3.6.1 Theme 1 – Housing Delivery:



3.6.1.1 Risks under Theme 1 have been fully refreshed following the SLT workshop and there are now 5 risks under this category which reflect the most significant areas of risk within Housing Delivery.

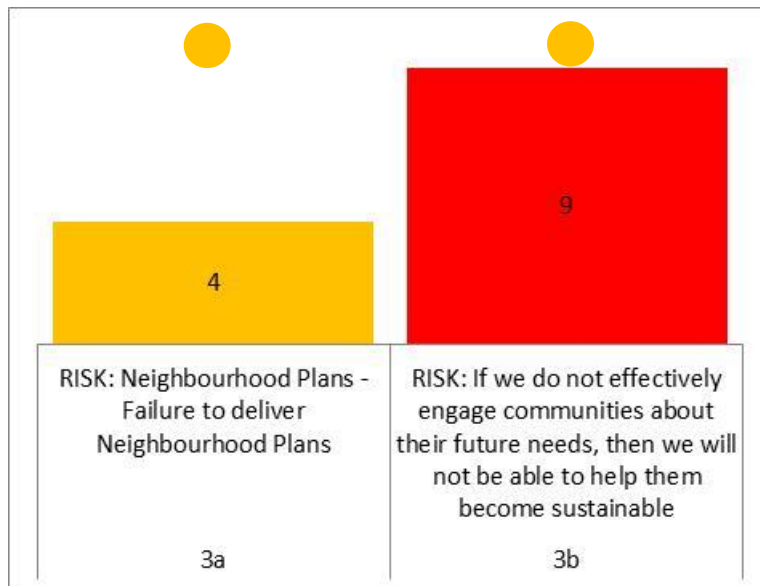
3.6.2 Theme 2 – Business Growth and Increased Productivity

3.6.3



3.6.2.1 All existing risk scores have remained the same as the previous quarter.

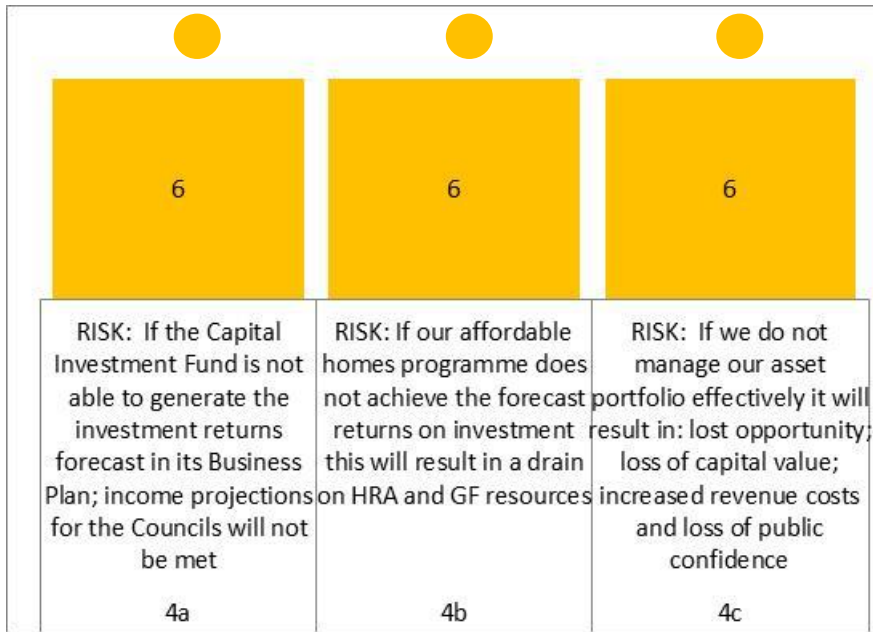
3.6.3 Theme 3 – Community Capacity Building and Engagement



3.6.3.1 Two risks have been archived and removed from the register since quarter 3: 3b – *Reputation and trust with our communities will be compromised if we cannot demonstrate the learning from growth engagement exercise.* Lessons were learned from the engagement exercise and this risk is no longer relevant. 3c – *Ability to offset cuts in grant funding with external funding due to competition will reduce our ability to build community capacity.* The External Funding post has been filled for some time now and the effectiveness of securing funding is being reported to the performance team. The risk has reduced to a level that no longer requires monitoring on the significant risk register.

A new risk has been added: 3b – *If we don't effectively engage communities about their future needs, then we will not be able to help them become sustainable.*

3.6.4 Theme 4 – Assets and Investments



3.6.4.1 This area has been fully refreshed following the SLT risk workshop.

3.6.5 Theme 5 – An Enabled and Efficient Organisation



3.6.5.1 3 of the 8 risks under this Theme have had a reduction in risk score since the previous quarter as a result of mitigation progress. Risk 5a - the ICT service provided by SCC has enabled us to provide better provision and service; Risk 5b - the scanning project is now underway to assist us in becoming 'paperless'; and Risk 5g - we are progressing with our Public Access Strategy which has been agreed in principle by both Councils. All other risk scores have remained the same.

- 3.7 The register remains, as always, a living document and as projects develop, the register will capture any new, evolving and emerging risks. Risk management work undertaken during the year
- 3.8 In addition to the work undertaken on the risk register, further work has been undertaken to promote and embed risk management across the Councils.
- 3.9 In August 2016 the Risk Officer facilitated a workshop in for project leads to assist them in identifying, recording and managing their more operational project risks. This was well attended and has resulted in project risk registers being available on Connect for a number of the current projects, e.g. *Business Growth and Increased Productivity Programme*: Economic Development, Open for Business, Hamilton Road. *Assets and Investment Programme*: Capital Investment Fund, Housing and Regeneration, plus many more under the other programmes.
- 3.10 Operational registers that do not fit under the umbrella of a specific project; the Risk Officer has been in discussions with the Health and Safety Officer and the intention is to jointly spend time working with corporate managers to create one register per service area that captures all their operational risks including those that are specifically health and safety related. This ensures that the same, consistent approach and methodology is taken and the terminology and scoring is in line with the Risk Management Strategy and Risk Matrix. It is intended this work will commence early 17/18.
- 3.11 Earlier in 2016 the Risk Officer was part of a team of 'experts' involved in a scenario setting session entitled 'Project fun' where attendees were required to plan a given project giving consideration to all areas of project management; risk, performance, budgets, milestones etc. The session proved to be successful and helped highlight that risk is always considered but not always documented.
- 3.12 We continue to work to embed risk management further across the Councils and are working with report authors to ensure the risk management sections of their reports are acceptable and consistent with the Strategy, Register and Risk Matrix. Each report is required to be 'signed off' by finance, legal and risk officers before the report is submitted to Committee Services.
- 3.13 The Corporate Manager - Internal Audit provided a risk management presentation to the Enabled and Efficient Organisation Portfolio Holder briefing in February 2017. The presentation was designed to provide Members with an overview of the Councils' approach to risk management including the Risk Management Strategy and the Significant Risk Register.
- 3.14 Going forward into 2017/18 we aim to develop and embed risk management further across the Councils. Given the importance of risk management additional resources have been allocated to risk with the aim of:
- Promoting the consistent use of risk management and ownership of risk at all levels;
 - Continual development of the Significant Risk Register and operational/project and programme registers;

- Building and maintaining a risk aware culture across the Councils, including appropriate education and training;
- Developing, implementing and reviewing the risk management framework and risk management processes to ensure they remain fit for purpose;
- Linking with other functions of the Councils, namely Health and Safety and Performance Management.
- Reporting, escalating and communicating risk management issues to key stakeholders.

4. Financial Implications

4.1 As detailed in the report.

5. Legal Implications

5.1 There are no immediate legal implications arising from this report.

6. Risk Management

6.1 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 |

7. Consultations

7.1 Risk owners were consulted on their relevant risks, the report and register were submitted to SLT, Executive and Strategy Committees.

8. Equality Analysis

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

9. Shared Service / Partnership Implications

9.1 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.

10. Links to Joint Strategic Plan

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.

11. Appendices

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

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Claire Crascall
Audit and Risk Management Officer

BABERGH AND MID SUFFOLK SIGNIFICANT RISK REGISTER - MARCH 2017




| RISK DETAILS | Inherent scores | | | Current scores | | |
|--------------|-----------------|---|---|----------------|---|---|
| | L | I | S | L | I | S |




KEY L = Likelihood I = Impact S = Score MITIGATION RAG STATUS:  Better than expected progress  On track  Poor progress and possible issues





DIRECTION OF TRAVEL (score):  Decreased  Stayed the same  Increased

| 1 - HOUSING DELIVERY | | | | | | | |
|----------------------|--|---|---|---------------------------------|---|--|--------------------------------|
| 1a | RISK: 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. | 3 | 2 | INHERENT RISK SCORE 6 | 2 | 2 | CURRENT RISK SCORE 4 |
| | MITIGATION: Having the right evidence base e.g. making use of Suffolk Housing Need Survey and existing Local Housing Need Surveys. Commissioned the Strategic Housing Market Assessment as part of evidence base for Joint Local Plan. Creating Joint Local Plan RESPONSIBLE OFFICER: Assistant Director - Planning for Growth | | | | Mitigation RAG Status  | Direction of travel (score) NEW RISK | |
| 1b | RISK: 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. | 3 | 3 | INHERENT RISK SCORE 9 | 3 | 3 | CURRENT RISK SCORE 9 |
| | MITIGATION: Current local plans in place, call for sites undertaken. New Joint Local Plan with comprehensive site allocations, currently being created. RESPONSIBLE OFFICER: Assistant Director - Planning for Growth | | | | Mitigation RAG Status  | Direction of travel (score) NEW RISK | |
| 1c | RISK: If development does not come forward in a timely way, then we may be unable to deliver the right housing in the right locations | 3 | 3 | INHERENT RISK SCORE 9 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: 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. RESPONSIBLE OFFICER: Assistant Director - Planning for Growth | | | | Mitigation RAG Status  | Direction of travel (score) NEW RISK | |




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| | | | | | | | |
|--|--|---|---|----------------------------------|---|---|--------------------------------|
| 1d | RISK: If we do not secure investment in infrastructure (schools, health, broadband, transport etc.), then development is stifled and/or unsustainable | 3 | 3 | INHERENT RISK SCORE 9 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: Adopted Community Infrastructure Levy (CIL), 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 - infrastructure investment | | | | Mitigation RAG Status  | Direction of travel (score) NEW RISK | |
| 1e | RISK: 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 | 3 | 3 | INHERENT RISK SCORE 9 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: Suffolk Older Persons Housing Strategy, Health and Housing Charter, Creating Housing Strategy, Creating Joint Local Plan | | | | Mitigation RAG Status  | Direction of travel (score) NEW RISK | |
| 2 - BUSINESS GROWTH AND INCREASED PRODUCTIVITY | | | | | | | |
| 2a | RISK: 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 | 4 | 3 | INHERENT RISK SCORE 12 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: 1.) Introduction of a bespoke business engagement model and a full review of the Business Account Manager Programme 2.) Set up of a Customer Relationship Management System 3.) We will continue to develop the strategic evidence base which has included: employment land assesment; town centre retail studies and continue membership of and engagement with the Chamber of Commerce and develop strong relationships with the LEP which will provide opportunities to network and gather intelligence. | | | | Mitigation RAG Status  | Direction of travel (score)  | |
| RESPONSIBLE OFFICER: Assistant Director - Investment and Commercial Delivery | | | | | | | |

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| | | | | | | | |
|----|--|---|---|----------------------------------|---|---|--------------------------------|
| 2b | RISK: 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. | 4 | 4 | INHERENT RISK SCORE 16 | 2 | 4 | CURRENT RISK SCORE 8 |
| | MITIGATION: 1.) A series of workshops with communities to develop 'Vision' 2.) Creation of a framework of projects and programmes to deliver 'Vision' which sets out milestones, timeline 3.) Regeneration of Hamilton Road Sudbury through delivery of a leisure led scheme. RESPONSIBLE OFFICER: Assistant Director - Investment and Commercial Delivery | | | | Mitigation RAG Status  | Direction of travel (score) NEW RISK | |
| 2c | RISK: 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. | 3 | 3 | INHERENT RISK SCORE 9 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: 1.) A series of workshops with communities to develop 'Vision' 2.) Creation of a framework of projects and programmes to deliver 'Vision' which sets out milestones, timeline. RESPONSIBLE OFFICER: Assistant Director - Investment and Commercial Delivery | | | | Mitigation RAG Status  | Direction of travel (score) NEW RISK | |
| 2d | RISK: 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. | 4 | 3 | INHERENT RISK SCORE 12 | 3 | 3 | CURRENT RISK SCORE 9 |
| | MITIGATION: 1.) The development of Suffolk Strategic Planning and Infrastructure Framework 2.) Development of an Economic Strategy 3.) Provision of officer support and expertise to ensure Space to Innovate and Food Enterprise Zones are delivered within timescales. RESPONSIBLE OFFICER: Assistant Director - Investment and Commercial Delivery | | | | Mitigation RAG Status  | Direction of travel (score)  | |

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3 - COMMUNITY CAPACITY BUILDING AND ENGAGEMENT

| | | | | | | | |
|----|--|---|---|---------------------------------|--------------------------------------|--|--------------------------------|
| 3a | RISK: Neighbourhood Plans - Failure to deliver Neighbourhood Plans | 2 | 2 | INHERENT RISK SCORE 4 | 2 | 2 | CURRENT RISK SCORE 4 |
| | MITIGATION: Undertaking Joint Scrutiny review of processes and support provided, are integrating support for Neighbourhood Plans into core activities of Strategic Planning team, Using learning from 3 made plans to continue to refine support for those in earlier stages of plan production RESPONSIBLE OFFICER: Assistant Director - Planning for Growth | | | | Mitigation RAG Status | Direction of travel (score) | |
| 3b | RISK: If we do not effectively engage communities about their future needs, then we will not be able to help them become sustainable | 3 | 3 | INHERENT RISK SCORE 9 | 3 | 3 | CURRENT RISK SCORE 9 |
| | MITIGATION: Joint Scrutiny Committee review underway, formal mechanisms agreed to consult on the joint Local Plan, Town and Parish Council Liaison meetings in place, 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. RESPONSIBLE OFFICER: Assistant Director - Communities and Public Access | | | | Mitigation RAG Status | Direction of travel (score) NEW RISK | |

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4 - ASSETS AND INVESTMENTS

| | | | | | | | |
|----|---|---|---|----------------------------------|--------------------------------------|--|--------------------------------|
| 4a | RISK: 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 | 4 | 3 | INHERENT RISK SCORE 12 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: 1.) CIF Income projections based on ratified and realistic assumptions 2.) A balanced property portfolio 3.) Commercially intelligent Investment Board 4.) Procurement of strong contractor support. RESPONSIBLE OFFICER: Assistant Directors - Investment and Commercial Delivery | | | | Mitigation RAG Status | Direction of travel (score) NEW RISK | |

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DIRECTION OF TRAVEL (score): Decreased Stayed the same Increased

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|--|---|---|---|----------------------------------|----------------------------------|--|--------------------------------|
| 4b | RISK: 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 | 4 | 3 | INHERENT RISK SCORE 12 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: 1.) Adherence to the criteria set out in the Joint Affordable Homes Strategy 2.) Use of Proval viability assesment tool to establish invesment returns 3.) Procurement of skilled and experienced Development Partner who is familiar with delivery of housing development schemes within set criteria RESPONSIBLE OFFICER: Assistant Director - Investment and Commercial Delivery | | | | Mitigation RAG Status | Direction of travel (score) NEW RISK | |
| 4c | RISK: 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 | 4 | 3 | INHERENT RISK SCORE 12 | 3 | 2 | CURRENT RISK SCORE 6 |
| | MITIGATION: 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 RESPONSIBLE OFFICER: Assistant Directors - Investment and Commercial Delivery | | | | Mitigation RAG Status | Direction of travel (score) NEW RISK | |
| 5 - AN ENABLED AND EFFICIENT ORGANISATION | | | | | | | |
| 5a | RISK: Failure to develop our use of technology to enable us to be efficient and cost effective in everything we do. | 2 | 3 | INHERENT RISK SCORE 6 | 1 | 3 | CURRENT RISK SCORE 3 |
| | MITIGATION: Strategic ICT resource from SCC now part of Senior Leadership Team / Consolidating mobile and telephone technology to enable staff to work more flexibly - almost all staff to have laptops/ Experimenting with different technology / Continuing to integrate applications to allow systems and procedures to be consolidated to make joint teams more efficient and resilient e.g. single Open Housing system / Alignment of IT strategy with SCC to make investment under 4 key themes of the cloud, mobile working, big data and social and collaboration tools / ICT being managed by single team at County - enables better provision and service RESPONSIBLE OFFICER: ICT Strategic Lead | | | | Mitigation RAG Status | Direction of travel (score) | |

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|--|---|---|---|---------------------------------|----------------------------------|---|--|
| 5b | RISK: Failure to convert our data into accurate, up to date and easy to interrogate insights, evidence and intelligence that supports delivery of the strategic priorities and failure to adequately protect the data that we hold | 3 | 3 | INHERENT RISK SCORE 9 | 2 | 3 | RISK SCORE 6 |
| | MITIGATION: 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 have been held to support and encourage Officers and Members to base decision making on robust evidence and intelligence / Scanning exercise to enable 'paperless system' by September 17 | | | | Mitigation RAG Status | | Direction of travel (score) |
| RESPONSIBLE OFFICER: Temporary Assistant Director - Law and Governance and Monitoring Officer | | | | | | | |
| 5c | RISK: Failure to develop clear governance arrangements that enable the right decisions to be taken that are appropriate for the environment that we are operating in | 3 | 3 | INHERENT RISK SCORE 9 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: Officer's working group formed to address: Governance processes, including good legal decision making and good financial decision making with an associated risk framework / Establish business planning processes, expenditure approval processes including investment proposals, business cases, option appraisals / Contract Procedure rules / Financial Procedure rules / Scheme of Management Delegation / Review of the Constitution / Awareness training for Extended Leadership Team including fiduciary duties and ultra vires/ Strengthening Governance initiatives continues to gather momentum across Member and Officer base. E.g. Workshops being set up with SLT and Joint Leaders Group (Task and Finish Group) looking at what they think good governance looks like; Report 'sign off' arrangements by Legal, Finance and Internal Audit (Risk) have been put in place to ensure that due diligence has been applied | | | | Mitigation RAG Status | | Direction of travel (score) |
| RESPONSIBLE OFFICER: Temporary Assistant Director - Law and Governance and Monitoring Officer | | | | | | | |
| 5d | RISK: Failure to build the capability across the organisation to commission effectively for outcomes resulting in inefficient and ineffective use of resources | 3 | 3 | INHERENT RISK SCORE 9 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: 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 scheduled for 17/18/ 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 | | | | Mitigation RAG Status | | Direction of travel (score) |
| RESPONSIBLE OFFICER: Assistant Director - Corporate Resources | | | | | | | |




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| 5e | RISK: Staff within the organisation not having the right capacity and capability to deliver the strategic priorities of the councils and to work within the wider local government system | 2 | 3 | INHERENT RISK SCORE 6 | 2 | 3 | CURRENT RISK SCORE 6 |
| | MITIGATION: Focused management review resulting in a new Extended Leadership Team (ELT) focused on outcomes / leadership development within ELT-Leadership in Mind sessions held / new performance conversations and performance management framework / design of organisational development plan / cultural and effectiveness survey undertaken, results currently being fed back / create workforce development plan RESPONSIBLE OFFICER: Assistant Director - Corporate Resources | | | | Mitigation RAG Status  | Direction of travel (score)  | |
| 5f | RISK: Failure of the Councils to become financially sustainable in response to funding changes | 3 | 4 | INHERENT RISK SCORE 12 | 2 | 4 | CURRENT RISK SCORE 8 |
| | MITIGATION: 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 17/18 and updated projections up to 20/21 / 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) RESPONSIBLE OFFICER: Assistant Director - Corporate Resources | | | | Mitigation RAG Status  | Direction of travel (score)  | |
| 5g | RISK: Failure to implement more efficient and effective public access arrangements | 2 | 3 | INHERENT RISK SCORE 6 | 1 | 3 | CURRENT RISK SCORE 3 |
| | MITIGATION: Public Access Strategy agreed in principle by both Councils/ Maximising use of digital technology- call centre system being updated / Self-service capabilities supplemented with supported assistance / Understand customer base / Introduction of customer relationship officers at new customer access points / Involvement of customers in design-website consultation now finished, feedback being used to make enhancements. <i>Further details of this risk can be found through the Programme Board where there is a further project specific risk register.</i> RESPONSIBLE OFFICER: Assistant Director - Communities and Public Access | | | | Mitigation RAG Status  | Direction of travel (score)  | |

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| | | | | | | | |
|----|---|---|---|---------------------------|--|--|-------------------------|
| 5h | RISK: Systems and IT infrastructure are continually under threat from cyber attacks by external parties | 3 | 4 | INHERENT RISK SCORE 12 | 2 | 3 | CURRENT RISK SCORE 6 |
| | <p>MITIGATION: The Councils' continually monitor threats to its systems both internally and externally by way of an Intrusion Protection System (IPS) / All PC's, Laptops and servers are protected with antivirus software / Email is scanned externally and internally / Firewalls are used to prevent unauthorised access to services and protect data / Extensive internal and external penetration tests are performed by a third party security consultancy provider / Servers and desktop equipment are regularly patched with security updates / New systems are tested for security flaws prior to being put live / Web proxy are in place to protect against access to malicious websites / Mobile Device Management software is deployed to protect information on mobile devices / An Information Governance Board has been set up and has responsibilities that include ensuring policies, procedures and guidelines are in place designed to support appropriate information handling and management / Continue to raise awareness with staff of Information Management Security</p> <p>RESPONSIBLE OFFICER: Corporate Manager - Information Management and ICT</p> | | | | Mitigation RAG Status  | Direction of travel (score)  | |

Appendix B

| | | | | | | |
|--------------------------|------------|---|-----------------|------------|----------------|-----------------|
| Impact | Disaster | 4 | 4 (Medium) | 8 (High) | 12 (Very High) | 16 (Very High) |
| | Bad | 3 | 3 (Low) | 6 (Medium) | 9 (High) | 12 (Very High) |
| | Noticeable | 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 | <ul style="list-style-type: none"> * Has never occurred before * Would only happen in exceptional circumstances |
| 2 | Unlikely | <ul style="list-style-type: none"> * Not expected to occur but potential exists * Has occurred once in the last ten years |
| 3 | Probable | <ul style="list-style-type: none"> * May occur occasionally * Has occurred within the last five years * Reasonable chance of occurring again |
| 4 | Highly Probable | <ul style="list-style-type: none"> * Expected to occur * Occurs regularly or frequently |

Impact

- | | | |
|---|------------|--|
| 1 | Minimal | <ul style="list-style-type: none"> * Up to £5k * Very minor service disruption (less than one day) * No noticeable media interest * No harm to persons/community |
| 2 | Noticeable | <ul style="list-style-type: none"> * £5k - £50k * Some service disruption, more than one day * Local media coverage * Potential for minor harm/injury |
| 3 | Bad | <ul style="list-style-type: none"> * £50k - £250k * Critical service disruption (statutory services not delivered) * Adverse local/national media coverage * Potential for harm or injury (non-life threatening) |
| 4 | Disaster | <ul style="list-style-type: none"> * Over £250k * Systemic or sustained service loss * Adverse/prolonged national media coverage * Litigation, custodial sentence * Serious injury or death |

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