

BABERGH DISTRICT COUNCIL and MIDSUFFOLK DISTRICT COUNCIL

From: Head of Corporate Organisation	Report Number: JAC8
To: Joint Audit and Standards	Date of meeting: 2 September 2013

JOINT ANNUAL GOVERNANCE STATEMENT 2012/13

1. Purpose of Report

- 1.1 To seek approval for the Annual Governance Statement (AGS) to accompany each Council's financial accounts 2012/13.
- 1.2 This Committee has responsibility for being satisfied that the AGS properly reflects the risk environment and any actions required to improve it.

2. Recommendations

- 2.1 That the Annual Governance Statement 2012/13 appended to this report be approved. Further, it be noted that, subject to that approval, the Leaders of each Council will sign the Statement on behalf of their respective Council.

The Committee is able to resolve this matter.

3. Financial Implications

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

4. Risk Management

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

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

5. Consultations

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

6. Equality Analysis

6.1 Equality and diversity implications have been considered within the Annual Governance Statement arrangements.

7. Shared Service / Partnership Implications

7.1 Through the integration process Babergh and Mid Suffolk have produced a joint AGS.

8. Key Information

8.1 The Accounts and Audit Regulations 2011 require each Council to prepare and publish an AGS.

8.2 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.

8.3 This Committee is responsible for overseeing each Council's work around corporate governance. In 2012 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) reviewed and revised the approach to corporate governance and in November 2012 published a new framework for good governance. The new guidance builds on the previous assurance gathering process requiring authorities to review the effectiveness of its governance arrangements against the key elements of the systems and processes that compromise an authority's governance.

8.4 The AGS is required to be published to accompany the published statement of accounts.

8.5 The AGS 2012/13 has been prepared in consultation with senior officers and using information from the 2011/12 AGS which has been reviewed and updated to reflect the operation of EACH Council during 2012/13.

9. Appendices

Title	Location
(a) Joint Annual Governance Statement 2012/13	Attached

10. Background Documents

10.1 CIPFA/SOLACE framework – 'Delivering good Governance in Local Government – Addendum'

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ANNUAL GOVERNANCE STATEMENT 2012/13

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

The purpose of the Governance Framework

1. 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.
2. The Governance Framework comprises the systems and processes, cultures and values by which the Councils are directed and controlled and through which they are accountable to, engage with and, where appropriate, lead communities. It enables each Council to monitor the achievement of outcomes for communities, linked to its strategic priorities and to consider whether those priorities have led to the delivery of high quality, and cost effective services, which meet the needs of those using them.
3. The arrangements required for gathering assurances for the preparation of this Joint Annual Governance Statement provide an opportunity for both Councils to consider the robustness of the governance arrangements in place and to review these as a corporate issue that affects all parts of the organisation.
4. As with last year, this has been a challenging year for the two Councils with the latest phase of significant public sector budget reductions, in line with the requirements of the Government's Comprehensive Spending Review and embarking on a programme of integration and transformation between both Councils.
5. The following Statement reflects the arrangements in place at both Councils for the year ended 31st March 2013 and up to the date of approval of the statement of accounts. Furthermore, it provides an insight looking ahead next year and the key risks and challenges facing both Councils moving forward.

Scope of responsibility

6. Both Councils are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Each Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to a combination of economy, efficiency and effectiveness (value for money).
7. In discharging this overall responsibility, each Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
8. Both Councils have approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy) / SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework '*Delivering Good Governance in Local Government*'.
9. This statement explains how the Councils have complied with the Code and also met the requirements of Regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

Systems and processes that comprise each Council's governance arrangements

10. The core governance principles of each Council are as follows:
 - a) Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area;
 - b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
 - c) Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - e) Developing the capacity and capability of members and officers to be effective; and
 - f) Engaging with local people and other stakeholders to ensure robust public accountability.
11. The system of internal control is also a significant part of the Governance Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve desired policies, aims and priorities and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of each Council's policies, aims and priorities, to evaluate the likelihood and impact of those risks and to effectively monitor and manage them.

The following paragraphs include the key elements of the governance framework:

Communicating the Council's Vision

12. An aligned approach to the management and monitoring of performance has been developed across both Councils for 2012/13. The overall objective is to have in place an appropriate and proportionate approach to the integration of the strategic planning process (supporting Babergh's Medium Term Plans 2011-2014 and Mid Suffolk's Priority Action Plans).
13. The 2012/13 priorities have been aligned and are mapped against the themes and priorities that already exist in the strategic plans and planning frameworks of each Council. The aligned priorities also provide staff and partner organisations with a clear picture of the strategic focus and planned activity for the Councils during 2012/13.
14. Both Councils have used a range of approaches to engage with our communities and citizens to ensure that the council vision is both informed by community needs and aspirations and that the service and delivery options are clearly explained and signposted.

Translating the vision into objectives with measurable outputs

15. Delivery Plans supported the priorities for 2012/13 consisting of a set of focussed objectives underpinning each of the strategic priorities with associated outcomes and outputs in the form of measurable actions and initiatives. The developmental process for the Delivery Plan has provided senior management with a clear basis for the creation of integrated service structures, resource allocation and business planning for 2012/13.

16. Risks of not achieving each Council's objectives have been considered and are fed into the significant business risk management process. Risks of an operational nature are managed and dealt with by service managers.
17. Overall the framework provides Members with the information they require to ensure that policy decisions are being carried out and communities are being well served. A supporting performance monitoring and reporting framework has been developed using a Balanced Scorecard approach with quarterly reporting to the Executive and Strategy Committees at the respective Councils to ensure that the Councils:
 - Concentrate on what matters most, prioritising what gets done and ensure there are sufficient resources to do it, making sure that processes are integrated to enable community and strategic priorities to be delivered;
 - Assess whether goals are successfully achieved and unblock the underlying cause of poor performance at an early stage, learn from past performance and improve future performance;
 - Review plans and policies to ensure they are focussed on achieving the right outcomes;
 - Make informed decisions, e.g. there is a need to shift resources to change the way services are delivered;
 - Provide value for money by focussing on the right things in the right way and are looking for better ways of working, understand what works best under what conditions;
 - Listen to customers and increase satisfaction;
 - Motivate staff by making sure they know how they contribute and what is expected of them; and
 - Are accountable through transparent reporting systems.
18. Both Councils recognise that it is essential to have accurate monitoring and forecasting information in order to understand costs. This is provided to all budget holders and managers. These show current expenditure, forecast predicated outturn for the year and highlight any areas where unexpected variances are apparent.

Roles and responsibilities of Members and Officers

19. Each Council's Constitution sets out the roles of and responsibilities between the full Council and its other Committees in the policy and decision making process and sets out their legal requirements. It also sets a record of what responsibility each Council body has for particular types of decision or for decisions relating to particular areas or functions. Each Constitution requires that all decisions taken by or on behalf of each Council will be made in accordance with the principles set out in each Constitution.
20. Furthermore, each Constitution clearly sets out the roles of Chief Officers and Statutory Officers and the responsibility for functions. This includes:
 - The Chief Executive as the Head of Paid Service;
 - The s151 Officer (under the Local Government Act 1972) who is responsible for making sure that appropriate advice is given to the Council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control (refer also to the role of the Chief Financial Officer – paragraphs 45 to 49); and
 - The Monitoring Officer, who is responsible for ensuring that the Council acts in a lawful manner and that it does not do anything that might cause maladministration or injustice. This has been delivered through the Monitoring Officer receiving all Council/committee reports and vetting those reports which have legal or constitutional implications. Further, the Monitoring Officer attends Council and committee meetings where legal or

probity issues are likely to arise. The Monitoring Officer is a Solicitor and has personally discharged her responsibilities to provide advice to Members on the Suffolk Local Code of Conduct, bias and predetermination and investigated conduct complaints.

Our management arrangements and structure

21. The changes put in place across the management structure of both Councils are radical and challenging. The focus of our transformational agenda is directed towards continually improving the planning and delivery of services, achieving greater efficiency and effectiveness to help meet our savings targets and to transform what we do and how we do it; with a view to improving the outcomes for our people and places.
22. We have changed the current structures to create a management team that has the capacity to deliver, make decisions and respond to local priorities. The new management and staffing structure represents the framework within which we manage people and resources. To optimise outcomes for the communities we serve, we are bringing about a change of culture and transformational change in the way of what we do.

The role of the Chief Executive

23. Vision and leadership is provided by the Chief Executive whose responsibility is to create the conditions to build strong relationships and a strong reputation. She leads the organisation to achieve demanding strategic goals, ensuring that the Management Team drives performance to focus on outcomes and delivery. The Chief Executive has strong and productive relationships with Members working specifically through the Leader at Mid Suffolk and the Chair of Strategy at Babergh and their senior Member colleagues. She is accountable to Members for overall performance.

The role of the Strategic Directors

24. The three Strategic Directors and the interim Director of Transformation work very closely with the Chief Executive, to whom they are directly accountable, to provide strategic leadership across the two Councils. The capacity of this top team ensures delivery of strategic outcomes; much of this through strategic planning and commissioning activity.
25. Each takes responsibility for managing a range of internally and externally driven relationships including working closely with Members and partners in order to develop and deliver priorities. Working across the Suffolk local government and wider public sector family to find synergies between our activities and ways of rationalising what we all do to collectively achieve better outcomes is a key part of their role.

The role of the Heads of Service

26. The seven Heads of Service (including one interim) report directly to the Directors and form part of the Management Team.
27. Heads of Service are not responsible for the traditional transactional management of services within their portfolios: rather they are tasked with leading and managing service areas which contribute to achieving the overall aims and objectives of the Councils.
28. Heads of Service hold a matrix of responsibilities - commissioning and orchestrating services, transforming services, delivering savings and efficiencies, improving overall service provision and working across teams in the context of cross cutting projects and delivery groups/networks. These are also complex and demanding roles that translate strategy into managerial priorities.

29. Heads of Service directly manage and work with those appointed through this process to maintain performance whilst they also redesign and transform service delivery and achieve even better outcomes for our communities. Whilst doing things differently, Heads of Service must also manage a wide range of complex relationships and ensure they maintain excellent working arrangements with councillors, partners and communities.

Standards of behaviour for Members and staff

30. Each Council's governance arrangements are set out in their Constitution and includes the roles and responsibilities of Members and senior officers, which are reinforced through induction and training programmes.
31. The Full Council adopted a Suffolk Local Code of Conduct, which Members must sign and adhere to. A flowchart identifying the difference between pecuniary and non-pecuniary interests has been circulated to all Members. The Monitoring Officer and Joint Standards Committee manage the Code of Conduct. The Committee has adopted a new complaints procedure for the handling of complaints against Members including assessment criteria, written procedural summary and flowchart which are available on the Council's website. A County wide pool of 'independent persons' have been appointed in accordance with the provisions of the Localism Act 2011 and an 'independent person' is consulted by the Monitoring Officer on each complaint.
32. There is a Confidential Information Protocol setting out each Council's expectations on the handling of confidential information of any description. The Joint Standards Committee has also issued advice notes on the conduct of site inspections, use of social networking sites, and conduct during election moratorium and rules surrounding predetermination and bias. These have been circulated to all Members and reinforced through training provided to all Members.
33. In relation to planning related matters, each Council has a Code of Practice/Protocol forming part of the Constitution which identify measures that Members and officers should adhere to in the handling of planning/heritage applications and enforcement to ensure that high ethical standards are achieved in undertaking the local planning authority function. This includes matters such as the approach to be taken on (i) pre/post application discussion (ii) lobbying (iii) developments in which Members or officers have an interest (iv) training for Members involved in decision-making and (v) the conduct of planning committee meetings. It is recognised that it would be desirable to have a single Planning Code applying both Councils to deliver consistency in approach and this is proposed to be brought forward in 2013/14.
34. For officers, codes and protocols are issued on appointment and reinforced through the induction process and guidance. Breaches of proper standards are investigated and resolved using HR Disciplinary, Capability or Grievance procedures.

Standing Orders, Financial Regulations and Scheme of Delegation

35. Each Constitution sets out its Contract Procedure Rules and guidance, Financial Regulations and Scheme of Delegation.

Risk Management Arrangements

36. The Councils have in place a process for identifying, assessing, managing and reviewing the key areas of risk and uncertainty that could impact on the achievement of the Council's objectives and service priorities.
37. There is a combined risk register in place which is updated on a quarterly basis. Mid Suffolk's Scrutiny and Babergh's Overview & Scrutiny (Stewardship) Committees and the Joint Member Integration Board receive regular updated reports.

38. Managing operational risks is the responsibility of service managers.

Counter Fraud and Corruption Arrangements

39. Both Council's Financial Procedures make it clear that any suspected irregularities should be reported to the appropriate officers and the Anti Fraud and Corruption and Whistleblowing Policy are available on each Council's website.
40. Members receive an annual report that provides a clear basis for raising awareness by setting out information that has been communicated to Members, staff and other stakeholders of the work the Council undertakes 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 fraud and corruption over the last 12 months.
41. In terms of benefit fraud, the Counter Fraud Team, based at Ipswich Borough Council Offices, is a section within the Audit Partnership that was formed in 2011. The team is an amalgamation of existing investigators from Ipswich Borough Council and Babergh and Mid Suffolk District Councils. The team undertakes dedicated fraud prevention, detection, investigation and intelligence gathering activities on behalf of the three Councils.
42. Incorporated in the annual report to Members is the annual Corporate Counter Fraud – Business Plan produced by the Counter Fraud Team to reassure Babergh and Mid Suffolk Members that robust processes exist to deal with any corrupt or fraudulent activity.
43. Each Council's expectation of propriety and accountability is that Members and employees, at all levels, will lead by example in ensuring adherence to legal requirements, policies, procedures and practices.
44. In addition, each Council also expects that individuals and organisations (e.g. suppliers, contractors, partners, service providers) with whom they come into contact will act towards each Council with integrity and without thought or actions involving fraud and corruption.

Role of the Chief Financial Officer

45. Each Council largely mirrors the recommendations made by CIPFA with regards to the role of the Chief Financial Officer and their position and status within each organisation. For this purpose the Chief Finance Officer for Mid Suffolk is the Head of Corporate Resources with responsibility for finance for both Councils. The Corporate Manager – Financial Services is Babergh's s151 Officer with joint responsibility for Mid Suffolk's financial activity reporting to the Head of Corporate Resources.
46. The Head of Corporate Resources has a key position within both organisations and sits along with the Babergh s151 Officer, on Management Board, this being the key officer decision making body of the organisation responsible for developing, implementing and delivering the strategic objectives of both Councils.
47. All material financial decisions must be approved by the Head of Corporate Resources and Babergh's s151 Officer as appropriate to each Council. The decision making structure of both organisations is designed to ensure that this happens through the report approval framework.
48. 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.
49. The Corporate Manager – Financial Services with 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.

Role of the Audit Committee

50. The Overview & Scrutiny (Stewardship) Committee – Babergh and Scrutiny Committee and Statement of Accounts Committee for Mid Suffolk discharge the Audit Committee functions for each council and have the responsibility for reviewing the adequacy of internal controls, monitoring the performance of Internal Audit, monitoring the effectiveness of the risk management framework, monitoring corporate performance and considering the effectiveness of the governance arrangements. This meets the core functions of an Audit Committee, as described in CIPFA's Audit Committees: Practical Guidance for Local Authorities.

Compliance with relevant laws and regulations, internal policies and procedures

51. Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures which include:
- Awareness, understanding and training carried out by internal officers and external experts;
 - The drawing up and circulation of guidance and advice on key procedures, policies and practices; and
 - Proactive monitoring of compliance by relevant key officers including the Section 151 Officers and the Monitoring Officer.
52. External Audit reviews are reported to the scrutiny committees named in paragraph 47 above. Their recommendations are also included in the monitoring arrangements described below for internal audit recommendations.
53. Through their Audit Plan Internal Audit reviews compliance across a range of activities. Reports are produced for management, recommendations for improvements agreed and implementation monitored through to completion. Regular reports on Internal and External reviews and the progress made in implementing audit recommendations are provide to the two named scrutiny committees. This helps to ensure that appropriate resources are made available for implementation within agreed timescales.
54. Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council, where in their opinion, a proposal, decision or omission by the Council, its Members or officers is or is likely to be unlawful and also to report on any investigation by the Local Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2012/13.
55. The Section 151 Officers also have a legal responsibility to issue formal reports if they have particular concerns about the financial arrangements or situation of the Council. No such formal reports have been issued during the 2012/13 financial year.

Procedures for Whistleblowing and for receiving and investigating Complaints

56. A strong ethical and performance framework is in place to enable officers and Members of both Councils to operate effectively in their respective roles, which allows the pursuit of excellence in service delivery. Each Council has an Anti-Fraud and Corruption and Whistleblowing Policy. The Whistleblowing Policy allows both staff and members of the public including contractors to raise matters in a confidential manner to the Council.
57. A formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Council.
58. The Standards Committee considers any complaints made against Members relating to

breaches of the code of conduct. Details of how to make a complaint and the committee's procedure for dealing with Member complaints are available on each Council's website.

Ensuring Development Needs for Members and senior officers are met

59. Each Council aims to ensure that Members and senior officers have the skills, knowledge and capacity they need to discharge their responsibilities and recognise the value of well trained and competent people in effective service delivery. All new Members and senior officers undertake a comprehensive induction to familiarise themselves with protocols, procedures, values, aims and priorities of each Council.
60. The Organisational Development Strategy is being updated to align officer skills, development and employment policy and practices to the aims and objectives of each organisation.
61. Individual training and development needs for senior officers are systematically identified and activities followed up and evaluated through a performance appraisal system. A corporate training plan is tailored to organisational needs. The annual appraisal also provides a mechanism for assessing key skill areas linked to job requirements and identifying development needs.
62. The Councils deliver an ongoing training and development activity for Members throughout the year based on the skill requirements as assessed by Members themselves and on topical issues.

Communication and Consultation with the public and other stakeholders

63. Both Councils recognise and welcome the importance of consulting effectively with local people, key stakeholders and partner organisations across the two districts.
64. Both Councils commenced a new approach to Community Engagement during 2012. Members from across the political spectrum in Babergh and Mid Suffolk, supported by officers of the new Integrated Management Team, attended meetings and organised opportunities to listen to the ideas and concerns of local groups, businesses and campaigning organisations.
65. The aim of these engagement opportunities was to provide our communities with a vehicle for articulating their aspirations and identify challenges and issues for the area.
66. The intelligence and insights gained from these encounters and other sources was used to inform the development of new strategic priorities for both Councils. These in turn will guide and drive our approach to problem solving, service delivery and community leadership over the longer-term as well as informing the budget setting for next year and the design of our operational delivery teams.
67. In addition, both Council's websites are continually expanding both in its content and it's functionally. Social media including Twitter and Facebook are being used by both Councils.

Governance Arrangements for Partnerships

68. Article 1 of both Council's Constitution commits to providing clear leadership to the community in partnership with citizens, businesses and other organisations and effective decision making; and to improving the delivery of services to the community. Significant partnerships across both Councils have been mapped and their roles reviewed to identify

any overlaps in their aims and objectives and to ensure that robust governance arrangements are in place.

Review of Effectiveness

69. Each Council has a responsibility for conducting, at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior management who have responsibility for the development and maintenance of the governance environment, the Corporate Manager - Internal Audit's annual report, and also by comments made by the external auditors.

LGA Peer Challenge

70. The Councils commissioned the Local Government Association (LGA) to provide a joint improvement orientated Peer Challenge in May 2012, tailored to meet council's needs. The challenge was designed to complement and add value to a council's own performance and improvement focus. The peers used their experience and knowledge to reflect on the evidence presented to them by people they met, things they saw and material they read.
71. The LGA team found that the integration of the operational teams for the Councils had also seen the establishment of new governance, decision-making and service delivery arrangements in a number of key areas. Examples of these included the establishment of a Joint Member Integration Board, joint HR and IT panels, a Joint Scrutiny Committee, a Joint Planning Review Group to consider the challenges and future arrangements for the Council's development control and planning functions with external support from the national Planning Advisory Service (PAS) and a Joint Housing Board.
72. The LGA team recommended that the proposed Governance review be expedited, with a clear but broad scope encompassing all of the issues highlighted in this 'governance and decision-making' section of the report plus whatever other strands are deemed important by the Councils and that it is undertaken independently.

Governance Review

73. A Joint Constitutional Working Group (consisting of Members from each Council) was set up, supported by officers, to review the current Governance arrangements and to develop the options for the governance structures, processes and ways of working for each Council. The work undertaken during 2012/13 has been adopted by both Councils in April 2013.
74. The work of the group will be founded on an agreed set of design principles that includes an emphasis on policy development through informal Member working, joint working as appropriate with different sovereign decision-making structures where necessary and a stream-lined and effective committee style decision-making recognising the importance of Political Group working.

Internal Audit

75. The Accounts and Audit Regulations 2011 require every local authority to maintain an adequate and effective internal audit. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, efficient and effective use of resources.
76. The effectiveness of both Council's internal controls is examined in detail through the work of Internal Audit who identifies and evaluates risks, and makes plans to audit those risks. Senior Management and other key officers, representing the oversight functions, and the relevant scrutiny committees from both Councils have been consulted for their views on risks

and audit priorities.

77. The Corporate Manager – Internal Audit is a suitably experienced officer who is able to comply with the principles set out in the CIPFA statement on the ‘Role of the Head of Internal Audit’.
78. The work of Internal Audit and the wider financial aspects of corporate governance are examined each year by each Council’s external auditors.

Opinion of the Audit Manager

79. Management is responsible for establishing and maintaining appropriate risk management processes, systems of internal control, accounting records and governance arrangements. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. This is achieved by undertaking audits across the full range of the Councils’ functions in accordance with a risk based Audit Plan, approved annually by the Overview and Scrutiny (Stewardship) Committee – Babergh, and the Scrutiny Committee – Mid Suffolk.
80. A wide number of reviews of both Council’s operations were carried out during the year 2012/13, ranging from main financial systems to corporate and governance reviews. Each was evaluated and where appropriate, recommendations made to further improve the internal control environment, including best practice. Internal Audit follows up all high-risk recommendations to ensure that these are dealt with in a timely manner. It is management’s responsibility to ensure that agreed recommendations are implemented.
81. Based on the work undertaken during the year and assurances by external audit, Internal Audit can provide reasonable assurance that the systems of internal control within these areas of each Council are operating effectively.

External Audit Review

82. Both Councils are subject to external review by its officially appointed External Auditors. Their work is focussed on the audit of the Council’s Statement of Accounts and on reviewing the effectiveness of material core financial systems controls. They also produce regular progress reports on their work for the respective scrutiny committees previously mentioned and are able to raise any items of concern with them.
83. The most recent Annual Governance Reports and Annual Audit Letters from the external auditors covering the 2011/12 accounts gave both Councils an unqualified opinion on its statement of accounts and confirmed that each Council has proper arrangements in place for challenging how it secures economy, efficiency and effectiveness.

Looking ahead 2013/14

Developing Strategic priorities

84. Using intelligence data compiled from the Community Engagement 2012 exercise Members will develop for each Council a strategic vision, priorities and underlying outcomes for our communities.
85. This will inform the development of each Council’s Strategic Plans which will be used to determine how we aim to achieve these outcomes in partnership with others.
86. The outcomes (what we want to achieve for our communities) will form the basis for the transformational enquiries which will commence in the summer 2013. These enquiries will look at transforming and aligning the organisation in order to achieve the desired outcomes.

Completing the Governance review

87. The review will be completed during 2013/14 and will provide a streamlined Governance framework which will enable the Councils to operate more effectively in an environment where two sovereign Councils are supported by a single set of officers.
88. The framework will ensure that there is an effective and robust process for policy development with clearly defined decision making processes and procedures with appropriate monitoring and scrutiny arrangements.

Transformation Enquiry programme and Organisational Development Plan (OD)

89. The Transformation Enquiry programme is designed to develop different ways of working that still deliver the Council's priorities while enabling the Councils to meet the financial challenges they face.
90. The programme will be managed through six Transformation Enquiry Groups (TEGs) which are based on the strategic priorities as defined by Babergh and Mid Suffolk Members. The focus on strategic outcomes to orientate the groups away from traditional service based reviews. The TEGs will identify new ways of working that not only enhance the effectiveness of delivering these priorities but also deliver the necessary reductions in costs, increases in income or return on investment needed to meet the financial challenges we face.
91. During 2013/14 the Councils will develop and refine a dynamic OD Plan which will analyse the changing skill, knowledge attitude and aptitude needs for the organisation to deliver the agreed strategic outcomes for our communities.
92. The OD Plan will be geared to support the organisation as it changes through the implementation of new initiatives, ideas and ways of working coming out of the TEG programme.

Key risks and challenges moving forward

93. They include:
 - The heavy workload and information that Members and officers have to absorb is growing steadily. Creating an effective agenda management process linked to forward planning and priorities will therefore be crucial for a problem free workflow.
 - Members have a central part to play in making sound decisions and setting policies that have an impact on their ward and across the whole area covered by their Council. The process of sound decision making alongside strong, timely and effective political leadership will play a vital role in driving both Councils forward to meet their strategic priorities.
 - The reduced central government funding to support the Council's' revenue and capital programmes will affect service delivery unless budgets are carefully managed to avoid front line services being reduced and overall damage to reputation.
 - The need to transform the what and how of what we do in order to deliver the outcomes set by Elected Members and to meet the financial challenges that we face.
94. Proposals to address these risks and challenges are currently in hand with engagement from Members and staff through the Risk Management process.

Conclusion

- 95. The Annual Governance Statement provides an assurance of the effectiveness of each Council’s system on internal control. There have been no governance issues identified during the year that are considered significant in relation to each Council’s overall governance framework.
- 96. 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

Charlie Adan, Chief Executive

Date

Signed

Jennie Jenkins, Leader of the Council – Babergh DC

Date

Signed

Derrick Haley, Leader of the Council – Mid Suffolk DC

Date