



# INTERNAL AUDIT

## Final Assurance Report 2016/17

### Corporate Governance

17<sup>th</sup> January 2017

#### Overall IA Assurance Opinion:

**REASONABLE**

#### Recommendation Overview:

High Risk	0
Medium Risk	6
Low Risk	5
Notable Practice	0

#### Review Sponsor:

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*Ownership of all final Internal Audit assurance reports rests with the relevant Review Sponsor.*



## 1. Introduction

- 1.1 This risk based IA assurance review forms part of the 2016/17 IA Plan. The purpose of this review is to provide assurance to the West London Waste Authority (WLWA) Officers Team and the Audit Committee over the key risks in relation to Corporate Governance.

## 2. Background

- 2.1 Corporate governance can be defined as the way in which the Authority is directed and controlled. It comprises a combination of systems, processes and structures as well as the culture and values of the Authority. Good corporate governance is acknowledged to be essential for the success of any organisation and leads to good management, performance, stewardship of public money, engagement with the public and fundamentally good outcomes for all key stakeholders. It ensures that the Authority is doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
- 2.2 *Delivering Good Governance in Local Government: Framework*, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016. This framework sets out 7 Principles for good governance.

## 3. Executive Summary

- 3.1 Overall, the IA opinion is that we are able to give **REASONABLE** assurance over the key risks to the achievement of objectives for Corporate Governance. Definitions of the IA assurance levels and IA risk ratings are included at **Appendix D**. An assessment for each area of the scope is highlighted below:

Scope Area	IA Assessment of WLWA
<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	<b>Substantial Assurance</b> - The Authority demonstrated overall compliance with Principle A. The policies that encourage the desired behaviour were all found to be in place and up to date. To further align the Authority with Principle A, consideration should be made on management receiving ethical awareness training, highlighting that ethics is being championed by the management team.  In March 2016, Members and Senior Officers submitted declaration of related party transaction forms for the 2015/16 financial year. It was confirmed that all the forms had been received. Our testing identified that no live register is maintained to capture declarations as they arise.
<b>Principle B. Ensuring openness and comprehensive stakeholder engagement</b>	<b>Reasonable Assurance</b> - The Authority's website ensures that openness and comprehensive stakeholder engagement takes place, with goals and values of the Authority found to be effectively communicated via this resource.  The Freedom of Information Act requires every public authority to have a publication scheme and we confirmed that the information required under the publication scheme is accessible through the Authority's website. Nevertheless, we found that the Authority does not have a publication scheme readily available on the site.  We sampled two key partnerships that the Authority holds to satisfy the requirements of this principle. We are pleased to report that meeting minutes were evident for both partnership meetings sampled; however during our testing it

Scope Area	IA Assessment of WLWA
	<p>was noted that the Borough Partnership Meeting does not currently have a formal Terms of Reference. It is our opinion that this will further strengthen controls in this area, aligning the Authority with Principle B of the good governance framework. Furthermore, the production of a communication strategy, which satisfies several of the other Principles listed, would also enhance compliance in this area.</p> <p>Overall, engagement with stakeholders appears open and comprehensive with the aforementioned Authority website encouraging this. This is further supported by the Authority and Audit Committee meeting minutes and agenda packs being readily accessible to the public, whilst key reporting dates are also captured within the Authority's Forward Plan.</p>
<p><b>Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	<p><b>Reasonable Assurance</b> - The Authority's Business Plan 2016 - 2019, approved by the Authority, sets out under four key themes how the Authority will develop its services over the period of the Plan. Whilst the Authority lacks individual service plans; intended outcomes are defined within the business plan, including relevant performance indicators.</p> <p>However, analysis of the business plan identified that the associated Key Performance Indicators (KPIs) whilst documented do not have measurable targets assigned. It is our opinion that in order to ensure outcomes are clearly defined, the Authority should have a document that captures all KPI's centrally; with amendments receiving formal approval at Authority meetings, ensuring appropriate oversight.</p>
<p><b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<p><b>Reasonable Assurance</b> - For necessary interventions (courses of action) to be made it is essential that decision making protocols are present and available to both Officers and Members. We are pleased to report that the Authority's Scheme of Delegation is in place, stipulating the delegated powers in regards to decision making, whilst detailing the associated financial approval limits. Furthermore, the Authority's medium term financial plan, budget guidance and associated protocols ensure that necessary interventions can be identified and taken when necessary.</p> <p>It is our opinion that to further enhance the ability of management to determine necessary interventions, Members could be consulted on an annual basis regarding the information they receive, and if improvements could be made to aid their decision making process.</p>
<p><b>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p>	<p><b>Substantial Assurance</b> - It is our opinion that key Human Resource policies, coupled with the corporate induction checklist, encourage the development of new officers and Members to the Authority.</p> <p>We are pleased to report that the appraisal process demonstrates alignment to Principle E, including a dedicated staff training and development plan.</p> <p>We were informed that WLWA place reliance on the Member training and development provided by the appropriate Constituent Borough. Nevertheless, the Authority does not have a record of the skills that Members possess and relevant training completed.</p>

Scope Area	IA Assessment of WLWA
<p><b>Principle F. Managing risks and performance through robust internal control and strong public Financial management</b></p>	<p><b>Reasonable Assurance</b> - The Risk Management assurance review issued on 25<sup>th</sup> November 2016, analysed compliance against the majority of Principle F of the framework. Therefore, within this principle we tested the remaining areas not previously covered such as the Audit Committee.</p> <p>We confirmed that the Audit Committee is supported by a Terms of Reference (ToR) which contained key information such as; membership, reporting, meetings and a work plan. Furthermore it was notable that the ToR requires one independent external Member, thus enhancing scrutiny and governance of the Committee. We are aware that the Audit Committee meeting frequency is not in line with best practice, however the reduction of meetings to twice per year was reported to and approved by the Committee.</p> <p>During our testing in this area it was noted that the authority does not have a Data Protection Policy to fully satisfy the managing data sub-principle.</p>
<p><b>Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>	<p><b>Substantial Assurance</b> - The focus of our testing for Principle G was on the annual financial statements and the annual governance statement. The annually reporting of these statements and availability to the public is in line with good practice, showcasing the Authority's commitment to transparency.</p>

3.2 The detailed findings and conclusions of our testing which underpin the above IA opinion have been discussed at the exit meeting and are set out in section four of this report. The key IA recommendations raised in respect of the risk and control issues identified are set out in the Management Action Plan included at **Appendix A**. Good practice suggestions and notable practices are set out in **Appendix B** of the report. A summary analysis of compliance against the Framework has been set out in **Appendix C**.

## 4. Detailed Findings and Conclusions

### 4.1 Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

4.1.1 Policies and procedures provide officers and members with guidance that encourages desired behaviour associated with Principle A to ensure that 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 Authority. We were able to evidence that the Authority had several key policies and procedures in place including the whistle blowing policy, procurement policy (Tenders and Contracts), staff appointment policy and the Anti Fraud and Corruption Policy. Each document was found to be up to date and effectively communicated to staff via the Intranet.

4.1.2 Principle A consists of several sub principles, the first of which is 'behaving with integrity'. We verified that the Authority has an up to date Code of Conduct in place, dated October 2015, to support the maintenance of the highest standards of conduct by employees, identify corporate standards and help all employees to act in a way which upholds the Authority's standards and, at the same time, protect them from criticism, misunderstanding or complaint. Within the sub principle, it notes that individual sign off with regard to the code of conduct demonstrate compliance. Testing confirmed that Officers and Members currently do not sign the Code of Conduct. However, a compensating control is in place through the requirement to comply with the code stipulated within employee contracts.

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- 4.1.3 Declaring interests, whether they are pecuniary or non-pecuniary is a demonstration of integrity, as listed within the CIPFA guidance. We found that as part of the annual statement of accounts process, Members and Management were required to sign a declaration of related party transactions form. Testing of this process undertaken in March 2016 for the 2015/16 accounts identified that all the Member's and Senior Officers had submitted their forms. Upon further review it was established that no live register is maintained by the Authority to declare potential conflicts as they arise. Subsequently, we have raised a recommendation to strengthen the control framework with this area (refer to **Recommendation 7** in the Management Action Plan at **Appendix A**).
- 4.1.4 It is also a key requirement of the CIPFA Framework for interests to be sought and declared prior to meetings in which corporate decisions are made. We verified, through analysis of the relevant minutes that declarations of interests were sought within the September 2016 and July 2016 Authority meetings with no declarations made. Declarations were also sought at the January 2016 and September 2016 Audit Committee meetings demonstrating compliance with the requirements of Principle A of the Framework.
- 4.1.5 The second sub-principle within this section relates to 'Demonstrating strong commitment to ethical values'. During our audit testing it was established that ethical awareness training has not been undertaken nor does the Authority have an ethical compliance champion. Whilst the code of conduct states that all employees to act in a way which upholds the Authority's standards, it is our opinion that in order to further align the Authority with Principle A, consideration should be made on management receiving ethical awareness training, highlighting that ethics is being championed by the management team / governing body level and we have therefore raised a low priority recommendation to reflect this (refer to **Recommendation 8** in the Management Action Plan at **Appendix B**).
- 4.1.6 Employees of the Authority are expected to act in an ethical manner, as detailed within the Local Code of Governance. We randomly selected two employees, and obtained their annual appraisals noting that values and ethical behaviour are not taken into account in both cases. We have therefore incorporated this into the recommendation raised above (refer to **Recommendation 8** in the Management Action Plan at **Appendix B**).

## **4.2 Principle B: Ensuring openness and comprehensive stakeholder engagement**

- 4.2.1 The primary sub principle within Principle B is 'Openness'. The Freedom of Information Act requires every public authority to have a publication scheme, approved by the Information Commissioner's Office (ICO), and to publish information covered by the scheme. The scheme must set out the Authority's commitment to make certain classes of information routinely available, such as policies and procedures, minutes of meetings, annual reports and financial information.
- 4.2.2 We found that the information required under the publication scheme is accessible via the WLWA website. Nevertheless, the Authority does not have a publication scheme readily available on their website and we have raised a recommendation aimed at mitigating the associated risks to this (refer to **Recommendation 1** in the Management Action Plan at **Appendix A**).
- 4.2.3 The Authority's website enables open and comprehensive stakeholder engagement to take place, with goals and values of the Authority found to be effectively communicated via this resource. Providing a clear calendar of dates for submitting, publishing and distributing timely reports is a listed demonstration of compliance with Principle B. We are pleased to report that, the Authority has a 'Forward Plan' in place, containing key reporting dates as required. We selected two report deadlines detailed within the Forward Plan, the Waste Minimisation Annual Review and the Corporate Governance review, and are pleased to confirm that these were both adhered to and were presented at the Authority meeting on 23<sup>rd</sup> September 2016.

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4.2.4 The second sub principle in this area relates to 'engaging comprehensively with institutional stakeholders'. As such we sampled two key partnerships that the Authority holds; one of which was with SITA UK and the other with the six west London boroughs. We are pleased to report that meeting minutes were evident for both partnership meetings sampled; however during our testing it was noted that the Borough Partnership Meeting does not currently have a formal Terms of Reference. As a result we have raised a recommendation aimed at mitigating the associated risks (refer to **Recommendation 2** in the Management Action Plan at **Appendix A**).

4.2.5 To remain open and engage with stakeholders is a key component of this Principle to ensure comprehensive and sufficient communication occurs, at the right levels. We were informed that the authority does not currently have a communication strategy in place. It is our opinion that such a document would satisfy several of the Principles listed within the CIPFA framework, as well as providing clarity on what the Authority wishes to share and with whom, specifying the type of communications that officers or members should engage in. As a result we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 3** in the Management Action Plan at **Appendix A**).

### **4.3 Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

4.3.1 The Authority's Business Plan 2016 - 2019, approved by the Authority, sets out under four key themes how the Authority will develop its services over the period of the Plan. Whilst the Authority lack individual service plans; intended outcomes are defined within the Business Plan, including the relevant performance indicators. However, analysis of the Business Plan identified that the associated Key Performance Indicators (KPIs); whilst documented, do not have measurable targets assigned.

4.3.2 It was established that the budget monitoring reports presented at Authority Meetings contain an update of performance against the Authority's KPI's, against their annual target. As aforementioned, these targets are not detailed within the Business Plan and we were informed that this was due to the fact that the KPI's are amended on an annual basis. However, we were unable to evidence the formal approval of these targets and annual revisions by the Authority.

4.3.3 To ensure outcomes are clearly defined, the Authority should have a document that captures all KPI's centrally with appropriate oversight of these maintained by the Management Team as a minimum. Subsequently, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 4** in the Management Action Plan at **Appendix A**).

4.3.4 Principle C requires authorities to have a clear Capital Programme and/or a Capital Investment Strategy in place. Due to the size of the Authority we were informed these were not in place, but formed part of the Treasury Management Plan. We are pleased to report that planned capital expenditure is detailed within the Authority's Treasury Management Plan. Furthermore, regular updates on the Treasury Management Plan were evidenced as provided at Authority meetings.

### **4.4 Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

4.4.1 For necessary interventions (courses of action) to be made, it is essential that decision making protocols are present and available to both Officers and Members. We are pleased to report that the Authority's Scheme of Delegation is in place, stipulating the delegated powers in regards to decision making, whilst detailing the associated financial approval limits to Officers.

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- 4.4.2 The information packs that are received by Members prior to meetings aid them in their decision making responsibilities. We tested, under Principle A, that agenda report packs were provided prior to meetings. However, we were unable to confirm whether discussions had been held between Members and Officers on the level and detail of information required by Members to support decision making. As a result, a recommendation has been raised to ensure risk associated with a lack of sufficient management information are mitigated (refer to **Recommendation 9** in the Management Action Plan at **Appendix B**).
- 4.4.3 Sub principle - *optimising achievement of intended outcomes* of the Framework requires the authority to ensure the achievement of social value through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”. However, we were unable to verify that the achievement of 'social value' is monitored and reported upon. As a result, a low priority recommendation, due to the size and nature of the authority, has been raised to ensure risks associated with this issue are mitigated (refer to **Recommendation 10** in the Management Action Plan at **Appendix B**).
- 4.5 Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it**
- 4.5.1 Principle E focuses on the actions taken by an organisation to ensure officers and members are as capable as possible. Officers have to be sufficiently trained and possess relevant skills in order to perform in their roles effectively with performance appraisals one way in which performance can be measured with any associated training and development needs identified.
- 4.5.2 We randomly selected a sample of two officer appraisals to assess if training and development needs were identified. In both cases we were able to confirm that training and development needs were captured as part of the appraisal with the respective staff development plan incorporating these items. However, peer reviews / 360 feedback have historically not been undertaken by the Authority. Such methods would showcase the Authority's consideration of the effectiveness of its own leadership. As a result, a recommendation has been raised to ensure risk associated with a lack of sufficient management information are mitigated (refer to **Recommendation 11** in the Management Action Plan at **Appendix B**).
- 4.5.3 Review of individual Member performance does not take place as we were informed that the Authority place reliance on the training and development provided by the relevant Constituent Borough. Nevertheless, the Authority does not currently obtain any assurance to support this. Subsequently, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 5** in the Management Action Plan at **Appendix A**).
- 4.6 Principle F. Managing risks and performance through robust internal control and strong public Financial management**
- 4.6.1 The majority of testing of compliance against Principle F of the Framework was undertaken within the IA review of Risk Management, issued on 25<sup>th</sup> November 2016. Therefore, within this principle we tested the remaining areas not previously covered such as the Audit Committee.
- 4.6.2 We confirmed that the Audit Committee is supported by a Terms of Reference (ToR) which contained key information such as; membership, reporting, meetings and a work plan. Furthermore it was notable that the ToR requires one independent external Member, thus enhancing scrutiny and governance of the Committee. We are aware that the Audit Committee meeting frequency is not in line with best practice, however the reduction of meetings to twice per year was reported to and approved by the Committee.

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4.6.3 Part of the testing within Principle F focussed on the Audit Committee, within Principle A we confirmed that sufficient information is available to the Audit Committee, allowing effective scrutiny to occur. As highlighted under 4.5.3, our testing highlighted that the Authority does not maintain a record of the training that Members (including those on the Audit Committee) have completed and this issue has been incorporated into **Recommendation 5**.

4.6.4 During our testing in this area it was noted that the authority does not have a Data Protection Policy to fully satisfy the managing data sub-principle. Whilst we confirmed that the Authority maintains a document retention policy; there is an increased likelihood that an uncoordinated approach across the Authority may be in place in terms of handling data and reporting possible breaches of the Data Protection Act 1998. As a result, we have raised a recommendation aimed at mitigating the associated risk (refer to **Recommendation 6** in the Management Action Plan at **Appendix A**).

#### **4.7 Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

4.7.1 The focus of our testing for Principle G was on the annual financial statements and the annual governance statement as the majority of systems, process, documentation and other evidence that demonstrate compliance against Principle G have been previously tested.

4.7.2 Therefore, we tested the 2015/16 and 2014/15 financial years and verified that in both years an annual governance statement and annual financial statement was produced in line with good practice and are readily available on the Authority's website. The annual reporting of these statements and availability to the public showcases the Authority's commitment to transparency.

### **5. Acknowledgement**

5.1 Internal Audit would like to formally thank all of the officers contacted during the course of this review for their co-operation and assistance. In particular, the Finance team, whose advice and help were gratefully appreciated.

### **6. Internal Audit Contact Details**

This audit was led by: Matteo Biondi, CIA  
**Senior Internal Auditor**

This audit was reviewed by: Martyn White, CMIIA CIA  
**Senior Internal Audit Manager**

Thank you,



Muir Laurie FCCA, CMIIA  
**Head of Business Assurance**

**Management Action Plan**

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
1	<p>The Authority should consider producing a publication scheme in line with the Freedom of Information Act 2000 with this approved by the Information Commissioner's Office (ICO). This should set out the Authority's commitment to make certain classes of information routinely available (para.ref 4.2.2)</p>	<p><i>Whilst the Authority were found to be actively publishing key documentation, without a publication scheme the authority is breaching a key requirement of the Freedom of Information Act. This will result in reputational damage to the Authority.</i></p>	<p><b>MEDIUM</b> ●</p>	<p><b>TREAT</b></p>	<p>A publication scheme will be produced for ICO approval.</p>	<p><i>Head of Finance and Performance</i>  <i>(Jay Patel)</i>  <i>30<sup>th</sup> April 2017</i></p>

## APPENDIX A (Cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
2	Management should consider developing a Terms of Reference for the Borough Partnership meetings (para.ref 4.2.4).	<i>In the absence of a formal Terms of Reference, the purpose and structure of the partnership meeting may become unaligned to its original objective or purpose. This would have a direct impact upon the successful and sustainable delivery of intended outcomes.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Terms of Reference will be developed for partnership forums.	<i>Managing Director</i>  <i>(Emma Beal)</i>  <i>30<sup>th</sup> April 2017</i>
3	The Authority should consider developing a Communication Strategy, serving as a guide for any media and public relation activities to ensure comprehensive and sufficient communication occurs, at the right levels (para. ref 4.2.5).	<i>If there is no guidance in regards to communications, several representatives of the Authority may adopt an individual approach, unaligned to the Authority's key objectives, leading to poor stakeholder and community engagement resulting in reputational damage.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	A strategy will be developed.	<i>Waste Minimisation Coordinator</i>  <i>(Sarah Ellis)</i>  <i>31<sup>st</sup> March 2017</i>

\*Please refer to **Appendix D** for Risk Response definitions.

## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
4	WLWA should have a document in which all the Corporate and service KPI's are listed in full; with any amendments to the KPI's approved formally at Authority meetings (para. ref 4.3.3).	<i>If measureable targets are not in place, embedded or monitored throughout the Authority this limits the ability for the Authority and Management to evaluate its success. Whilst failing to obtain formal approval on amendments to KPI's, reduces management oversight including their ability to scrutinise, monitor and evaluate performance. Thus poor performance trends will remain unidentified without mitigating actions. This could have an adverse affect on the delivery of the business plan and corporate objectives, with increased potential for reputational damage and a loss of resources.</i>	<b>MEDIUM</b> ●	<b>TREAT</b>	Agreed. KPI's will be documented with any amendments requiring approval at an Authority meeting.	<i>Head of Finance and Performance</i>  (Jay Patel)  31 <sup>st</sup> March 2017

## APPENDIX A (cont'd)

### Management Action Plan

No.	Recommendation	Risk	Risk Rating	Risk Response	Management Action to Mitigate Risk	Risk Owner & Implementation date
5	<p>Management should consider annually reviewing individual member performance taking account of their attendance.</p> <p>Management should consider obtaining assurance from the relevant Constituent Boroughs to support training undertaken as well identifying whether any WLWA specific training is required (para. refs 4.5.3 and 4.6.3).</p>	<p><i>There is an increased risk that the Authority lack appropriate evidence to support that Members have received sufficient training to effectively carry out their roles and responsibilities. Furthermore, specific and dedicated training and development may not be provided by the Authority leading to reputational damage or a financial loss to the Authority.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<b>TREAT</b>	A register of relevant training will be maintained to help identify training requirements.	<p><i>Head of Finance and Performance</i></p> <p><i>(Jay Patel)</i></p> <p><i>30<sup>th</sup> April 2017</i></p>
6	<p>The Authority should consider implementing a Data Protection Policy, setting out their commitment to protecting personal data and how they meet the legal obligations laid down by the Data Protection Act 1998.</p> <p>This should also provide detail of the Authority's nominated officer responsible for data protection (para. ref 4.6.4).</p>	<p><i>Staff may be unaware of their duties and their requirement to comply with Data Protection. The Authority may not achieve their desired Data Protection approach if it is not embedded, thus increasing the likelihood of Data Protection breaches. This could increase the likelihood of the Authority infringing their Data Protection statutory requirements with fines imposed by the ICO.</i></p>	<p><b>MEDIUM</b></p> <p>●</p>	<b>TREAT</b>	A DP policy will be developed.	<p><i>Head of Finance and Performance</i></p> <p><i>(Jay Patel)</i></p> <p><i>30<sup>th</sup> April 2017</i></p>

## APPENDIX B

### Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
7	<p>The Authority should consider maintaining a live register of Officer and Member pecuniary interests to identify any business / commercial / financial interests held which might give rise to a potential conflict of interest.</p> <p>This register should be in addition to the annual related party declaration completed for the annual statement of accounts (para.ref 4.1.3).</p>	<p><i>Without sufficient awareness and knowledge of interests, there is an increased risk that potential conflicts may arise which will not be appropriately recorded. This coupled with the failure to receive all Member related party transaction declarations may highlight a lack of transparency and in turn could lead to reputational damage to the Authority or the Authority's legal position on for example a contract tender being compromised.</i></p>	<p><b>LOW</b></p> <p style="color: green;">●</p>
8	<p>Management should consider implementing ethical awareness training throughout the workforce to further align the Authority to good practice detailed within the CIPFA Framework (para.ref 4.1.5).</p> <p>Management should consider taking into account the behaviour and ethical values of staff during the appraisal process to help encourage behaviour in line with the Authority's ethical values (para. ref 4.1.6)</p>	<p><i>Unethical behaviour may be prevalent or remain unidentified which could lead to reputational damage or a financial loss to the Authority where approaches are taken by staff which are not in line with the Authority's values and beliefs.</i></p>	<p><b>LOW</b></p> <p style="color: green;">●</p>
9	<p>The Authority should consider implementing periodic consultation with Members to ensure information needs are met to assist in the effective decision making of the Authority (para. ref 4.4.2).</p>	<p><i>If members do not receive requisite information there is an increased likelihood of ineffective decision making.</i></p>	<p><b>LOW</b></p> <p style="color: green;">●</p>
10	<p>Sub principle - <i>optimising achievement of intended outcomes</i> of the Framework requires the authority to ensure the achievement of social value through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is “the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes”. However, we were unable to verify that the achievement of 'social value' is monitored and reported upon (para. ref 4.4.3).</p>	<p><i>As 'social value' is not monitored or reported upon, achievement of this through service planning and commissioning cannot be sufficiently scrutinised, and therefore is an unlikely obtainable objective.</i></p>	<p><b>LOW</b></p> <p style="color: green;">●</p>

## APPENDIX B (Cont'd)

### Good Practice Suggestions & Notable Practices Identified

No.	Observation/ Suggestion	Rationale	Risk Rating
11	The Authority should consider performing peer reviews and/or 360 feedback on an annual basis, further promoting the effectiveness within the leadership team (para. ref 4.5.2).	<i>If peer reviews are not undertaken at the highest level, then there is an increased likelihood that the effectiveness of leadership may stagnate due to a lack of openness and constructive feedback from peer review and inspections.</i>	<b>LOW</b> ●

**Summary analysis of Authority compliance against the CIPFA Delivering Good Governance in Local Government Framework**

<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	
<b>Sub Principle: Behaving with integrity</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Codes of conduct	Green
Individual sign off with regard to compliance with code	Red
Induction for new members and staff on standard of behaviour expected	Green
Performance appraisals	Green
Communicating shared values with members, staff, the community and partners	Green
Decision making practices	Green
Declarations of interests made at meetings	Green
Anti-fraud and corruption policies are working effectively	Green
Up-to-date register of interests	Yellow
Up-to-date register of gifts and hospitality	Green
Whistleblowing policies are in place and protect individuals raising concerns	Green
Whistleblowing policy has been made available to members of the public, employees, partners and contractors	Green
Complaints policy and examples of responding to complaints about behaviour	Green
Members and officers code of conduct refers to a requirement to declare interests	Green
Minutes show declarations of interest were sought and appropriate declarations made	Green
Championing ethical compliance at governing body level	Red

<b>Sub Principle: Demonstrating strong commitment to ethical values</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Provision of ethical awareness training	Red
Appraisal processes take account of values and ethical behaviour	Red
Staff appointments policy	Green
Procurement policy	Green
<b>Sub Principle: Respecting the rule of law</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Constitution	Green
Job description/specifications	Green
Effective anti-fraud and corruption policies and procedures	Green

<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>	
<b>Sub Principle: Openness</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Annual report against KPI's	Green
Freedom of Information Act publication scheme	Red
Authority's goals and values	Green
Authority website	Green
Record of decision making and supporting materials	Green
Decision making protocols	Green
Discussion between members and officers on the information needs of members to support decision making	Red
Agreement on the information that will be provided and timescales	Green
Calendar of dates for submitting, publishing and distributing timely reports is adhered to	Green

<b>Sub Principle: Engaging comprehensively with institutional stakeholders</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Communication strategy	
Partnership protocols/framework	
<b>Sub Principle: Engaging stakeholders effectively, including individual citizens and service users</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Partnership framework	
Communication strategy	

<b>Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	
<b>Sub Principle: Defining outcomes</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Vision used as a basis for corporate and service planning	
Corporate and service plans	
Regular reports on progress	
Performance trends are established and reported upon	
Risk management protocols	
An agreed set of quality standard measures for each service element and included in service plans	
<b>Sub Principle: Sustainable economic, social and environmental benefits</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Capital investment is structured to achieve appropriate life spans and adaptability for future use or that resources (e.g. land) are spent on optimising social, economic and environmental wellbeing: <ul style="list-style-type: none"> <li>• Capital programme / Capital investment strategy</li> </ul>	
Discussion between members and officers on the information needs of members to support decision making	
Record of decision making and supporting materials	

<b>Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
<b>Sub Principle: Determining interventions</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Discussion between members and officers on the information needs of members to support decision making	Red
Decision making protocols	Green
Agreement of information that will be provided and timescales	Green
Financial strategy	Green
<b>Sub Principle: Planning interventions</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Calendar of dates for developing and submitting plans and reports that are adhered to	Green
Communication strategy	Red
Partnership framework	Green
Risk management protocol	Green
KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly	Green
Reports include detailed performance results and highlight areas where corrective action is necessary	Yellow
Evidence that budgets, plans and objectives are aligned	Green
Budget guidance and protocols	Green
Medium term financial plan	Green
Corporate and service plans	Yellow

<b>Sub Principle: Optimising achievement of intended outcomes</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Changes as a result	Red
Budgeting guidance and protocols	Green
Financial strategy	Green
Achievement of 'social value' is monitored and reported upon	Red

**Principle E: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

<b>Sub Principle: Developing the entity's capacity</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Regular reviews of activities, outputs and planned outcomes	Green
Effective operation of partnerships which deliver agreed outcomes	Green
Workforce plan	Green
Organisational development plan	Green

<b>Sub Principle: Developing the capability of the entity's leadership and other individuals</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Job descriptions	Green
Scheme of delegation reviewed at least annually in the light of legal and organisational changes	Green
Standing orders and financial regulations which are reviewed on a regular basis	Green
Clear statement of respective roles and responsibilities and how they will be put into practice	Green
Induction programme	Green
Personal development plans for members and officers	Green
Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs	Red
Peer reviews	Red

Training and development plan	
Staff development plans linked to appraisals	
Implementing appropriate human resource policies and ensuring that they are working effectively	
Human resource policies	

<b>Principle F: Managing risks and performance through robust internal control and strong public Financial Management</b>	
<b>Sub Principle: Managing risk</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Risk management protocol	
<b>Sub Principle: Managing performance</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Agenda and minutes of scrutiny meetings	
Terms of reference	
Training for members	
Membership	
<b>Sub Principle: Managing performance</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Data protection policies and procedures	

<b>Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	
<b>Sub Principle: Implementing good practice in transparency</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Website	

<b>Sub Principle: Implementing good practices in reporting</b>	
<b>Examples of systems, processes, documentation and other evidence demonstrating compliance</b>	<b>RAG rating</b>
Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery against KPI's	Red
Annual financial statements	Green
Annual governance statement	Green
Format follows best practice	Green

### INTERNAL AUDIT ASSURANCE LEVELS AND DEFINITIONS

Assurance Level	Definition
<b>SUBSTANTIAL</b>	There is a <b>good level of assurance</b> over the management of the key risks to the Authority's objectives. The control environment is robust with no major weaknesses in design or operation. There is <b>positive assurance</b> that objectives will be achieved.
<b>REASONABLE</b>	There is a <b>reasonable level of assurance</b> over the management of the key risks to the Authority's objectives. The control environment is in need of some improvement in either design or operation. There is a misalignment of the level of residual risk to the objectives and the designated risk appetite. There remains <b>some risk</b> that objectives will not be achieved.
<b>LIMITED</b>	There is a <b>limited level of assurance</b> over the management of the key risks to the Authority's objectives. The control environment has significant weaknesses in either design and/or operation. The level of residual risk to the objectives is not aligned to the relevant risk appetite. There is a <b>significant risk</b> that objectives will not be achieved.
<b>NO</b>	There is <b>no assurance</b> to be derived from the management of key risks to the Authority's objectives. There is an absence of several key elements of the control environment in design and/or operation. There are extensive improvements to be made. There is a substantial variance between the risk appetite and the residual risk to objectives. There is a <b>high risk</b> that objectives will not be achieved.

1. **Control Environment:** The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:
  - establishing and monitoring the achievement of the Authority's objectives;
  - the facilitation of policy and decision-making;
  - ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the Authority, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties;
  - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
  - the financial management of the Authority and the reporting of financial management; and
  - the performance management of the Authority and the reporting of performance management.
  
2. **Risk Appetite:** The amount of risk that the Authority is prepared to accept, tolerate, or be exposed to at any point in time.
  
3. **Residual Risk:** The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

## APPENDIX D (cont'd)

### RISK RESPONSE DEFINITIONS

Risk Response	Definition
<b>TREAT</b>	The probability and / or impact of the risk are reduced to an acceptable level through the proposal of positive management action.
<b>TOLERATE</b>	The risk is accepted by management and no further action is proposed.
<b>TRANSFER</b>	Moving the impact and responsibility (but not the accountability) of the risk to a third party.
<b>TERMINATE</b>	The activity / project from which the risk originates from are no longer undertaken.

### INTERNAL AUDIT RECOMMENDATION RISK RATINGS AND DEFINITIONS

Risk	Definition
<b>HIGH</b> ●	The recommendation relates to a <b>significant threat</b> or opportunity that impacts the Authority's corporate objectives. The action required is to mitigate a substantial risk to the Authority. In particular it has an impact on the Authority's reputation, statutory compliance, finances or key corporate objectives. <b>The risk requires senior management attention.</b>
<b>MEDIUM</b> ●	The recommendation relates to a <b>potentially significant threat</b> or opportunity that impacts on either corporate or operational objectives. The action required is to mitigate a moderate level of risk to the Authority. In particular an adverse impact on the Department's reputation, adherence to Authority policy, the departmental budget or service plan objectives. <b>The risk requires management attention.</b>
<b>LOW</b> ●	The recommendation relates to a <b>minor threat or opportunity</b> that impacts on operational objectives. The action required is to mitigate a minor risk to the Authority as a whole. This may be compliance with best practice or minimal impacts on the Service's reputation, adherence to local procedures, local budget or Section objectives. <b>The risk may be tolerable in the medium term.</b>
<b>NOTABLE PRACTICE</b> ●	The activity <b>reflects current best management practice</b> or is an innovative response to the management of risk within the Authority. <b>The practice should be shared with others.</b>