SWT Special Audit and Governance Committee

Tuesday, 22nd March, 2022, 6.15 pm

The John Meikle Room - The Deane House

SWT MEETING WEBCAST LINK

Members:	**Lee Baker (Chair), Ed Firmin (Vice-Chair), Simon Coles, Hugh Davies, Dawn Johnson, Janet Lloyd, Andy Milne, Martin Peters, Steven Pugsley, Terry Venner and Sarah Wakefield**

Agenda

1. Apologies

To receive any apologies for absence.

2. Declarations of Interest

To receive and note any declarations of disclosable pecuniary or prejudicial or personal interests in respect of any matters included on the agenda for consideration at this meeting.
(The personal interests of Councillors and Clerks of Somerset County Council, Town or Parish Councils and other Local Authorities will automatically be recorded in the minutes.)

3. Public Participation

The Chair to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.
For those members of the public who have submitted any questions or statements, please note, a three minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue.
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4. Audit and Governance Committee Forward Plan (Pages 5 - 6)

To receive items and review the Forward Plan.

5. Health and Safety Management System – Performance framework and Improvement Programme (Pages 7 - 20)

The purpose of this report is to provide the Audit and Governance committee with:
A) a progress update on the Health & Safety Performance Framework
B) a progress update against delivery of the H & S Management System (HSMS) Improvement Programme.

6. Local Code of Corporate Governance (Pages 21 - 40)

To present the Committee with the updated Local Code of Corporate Governance for the 2022/2023 financial year.

7. Annual Governance Statement Action Plan Update (Pages 41 - 52)

To present the Committee with an update of progress against the Annual Governance Statement Action Plan for 2020/21 (Appendix A).

8. Updated Risk and Opportunity Management Strategy for 2022-2023 (Pages 53 - 74)

To present the Committee with the updated Risk and Opportunity Management Strategy for approval.

9. Fraud Update (Pages 75 - 94)

To present the Committee with an update on progress following the SWAP baseline maturity assessment in relation to Fraud which came before the Committee in September 2021.

ANDREW PRITCHARD
CHIEF EXECUTIVE

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Any requests need to be received by 4pm on the day that provides 1 clear working day before the meeting (excluding the day of the meeting itself). For example, if the meeting is due to take place on a Tuesday, requests need to be received by 4pm on the Friday prior to the meeting.

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Agenda Item 4

	AUDIT AND GOVERNANCE COMMITTEE	
Meeting Date	**Draft Agenda Items**	**Lead Officer**
13 June 2022	External Audit - Progress Report	Grant Thornton LLP (Jackson Murray)
Report Deadline	External Audit Plan for 2021/22 Accounts	Grant Thornton LLP (Jackson Murray)
30 May 2022	External Audit Fees 2022/23	Paul Fitzgerald
	Internal Audit - Audit Plan 2021/22 Outturn	SWAP (Alastair Woodland)
	Internal Audit - Annual Audit Opinion 2021/22	SWAP (Alastair Woodland)
	Annual Governance Statement 2021/22 (Draft)	Amy Tregellas
	Fraud Outturn and Annual Plan for 2022/23	Amy Tregellas
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches
	Landlord Compliance update	Ian Candlish
12 September 2022	External Audit - Progress Report	Grant Thornton LLP (Jackson Murray)
Report Deadline	Internal Audit - Progress Report 2022-23	SWAP (Alastair Woodland)
31 August 2022	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches
	Treasury Management 2021/22 Annual Report and Q1 2022/23	John Dyson
	Fraud Update	Amy Tregellas
	Local Government Ombudsman Summary of Complaints	Amy Tregellas
	Landlord Compliance Update	Ian Candlish
TBC - September 2022	External Audit Findings Report 2021/22	Grant Thornton LLP (Jackson Murray)
SOA Special Meeting	External Audit Auditor's Annual Report 2021/22	Grant Thornton LLP (Jackson Murray)
Report Deadline	Annual Governance Statement 2021/22 (Final)	Amy Tregellas
	Assessment of Going Concern Status	John Dyson
	Approval of Statement of Accounts 2021/22	John Dyson
12 December 2022	External Audit Progress Report and Sector Update	Grant Thornton LLP (Jackson Murray)
Report Deadline	Internal Audit - Progress Report 2022/23	SWAP (Alastair Woodland)
30 November 2022	Treasury Management 2022/23 Mid Year Review	John Dyson
	Counter-Fraud Update Report	Amy Tregellas
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches
	H&S Update	James Barrah
	Capital Investment and Treasury Strategy 2023/24	John Dyson
13 March 2023	External Audit Progress Report and Sector Update	Grant Thornton LLP (Jackson Murray)

Report Deadline	External Audit Plan 2022/23 Accounts	Grant Thornton LLP (Jackson Murray)
	External Audit Informing the Risk Assessment 2022/23	Grant Thornton LLP (Jackson Murray)
01 March 2023	Internal Audit - Progress Report 2022/23	SWAP (Alastair Woodland)
	Internal Audit - Audit Plan and Charter 2023/24	SWAP (Alastair Woodland)
	Summary of Level 1 and 2 Audit Actions Progress	Malcolm Riches
	H&S Update	James Barrah
	Landlord Compliance Report	Ian Candlish
	Audit and Governance Chair’s Annual Report 2022/23	Chair of Committee
	Annual Governance Statement 2022/23	Amy Tregellas
	Local Code of Corporate Governance	Amy Tregellas
	Risk and Opportunity Management Strategy	Amy Tregellas
	Treasury Management Q3 2022/23	John Dyson

Report Number: SWT 48/22

Somerset West and Taunton Council

Audit and Governance Committee – 22nd March 2022

Health & Safety Management System – Performance framework and Improvement Programme

This matter is the responsibility of Executive Councillor Ross Henley, Corporate Resources

Report Authors:
Kate Lusty – Health & Safety Specialist
Dan Webb – Health & Safety Improvement Programme Manager (temp)

1. Executive Summary / Purpose of the Report

1.1 The purpose of this report is to provide the Audit and Governance committee with:
A) a progress update on the Health & Safety Performance Framework
B) a progress update against delivery of the H & S Management System (HSMS) Improvement Programme.

1.2 The HSMS Improvement Programme sets out the various workstreams within the programme, including the H & S Committee governance structure. All Improvement delivery activity will be tracked within a single consolidated action plan (implemented since November 2021) and through the established Corporate Programme Management Office (PMO) arrangements and processes (monthly reporting to the Internal Operations Directorate Board, and Senior Management Team - SMT).

2. Recommendations

2.1 The committee is asked to note and endorse:
A) the H & S Performance Scorecard data, together with the observations/recommendations/conclusive summary (appendix A)
B) the HSMS Improvement Programme progress update (detailed in section 4.7.5 with further summary breakdown in appendix B)

3. Risk Assessment

3.1 An efficient and effective H & S Management System helps the council comply with its duties under the Health & Safety at Work Act (1974) and the Management of Health & Safety Regulations 1999. This will thereby mitigate the legal, financial, and reputational risks associated with non-compliance of these key legal requirements and associated legislation, based on operational activity.

3.2 Subsequently, effective measurement of the performance of Health & Safety systems will galvanise the continuous improvement of risk mitigation controls.

3.3 During Quarter 1 (2021/22) an audit on Health & Safety was carried out by SWAP – this was reported to the Audit & Governance committee 13th September 2021, with an audit opinion reported as 'limited assurance'.

3.3.1 A summary of the work completed and findings by SWAP is as follows:

- "The Council has a statutory duty to keep its employees, members, customers, contractors and anyone else who uses its services safe from risks to their health and safety under the Health and Safety at Work Act 1974. The failure to adhere to relevant health and safety legislation and regulations puts health and safety at risk and exposes the Council to legal, finance and reputational damage.
- The Council had not received an audit of corporate health and safety since 2014 and therefore assurance was sought by senior management that the Council was adhering to health and safety legislation and regulation and the risks in these areas were minimised. Despite the absence of a recent audit the Council has been developing its approach to health and safety and this continues to be work in progress. The audit scope was designed around the Health and Safety Executive's HSG65 framework". (please see para 4.2 for further details of HSG65)
- The Council is currently at the 'PLAN' and 'DO' stages of HSG65 and therefore only limited testing could be done under 'CHECK' and 'ACT'. Our audit focussed on the high priority areas the Council need to address and therefore contractors were only looked at briefly. When looking at accidents and incidents we relied upon second line of defence controls. Landlord Health and Safety was considered out of scope for this audit. This area has been covered by previous audit work.
- There were three Priority 2 recommendations - *"Important findings that need to be resolved by management"* (and eight Priority 3 recommendations) made within this review. The three priority 2 recommendations raised in our report are detailed below. Health and Safety is on the Senior Management Issue log to monitor improvements. The recommendation made in this review will be followed up to ensure they have been implemented and reported back to the Audit Committee.

    - **SWAP recommendation 1)** Corporate Governance matters need to be strengthened, including raising the profile of health and safety through a Member Champion and reporting of health and safety work to Members. Sub-Committees would be advisable for all Directorates, as currently they only exist for Housing & Communities and External Operations.
    - **SWAP recommendation 2)** While the Risk Assessment Scoping sessions have been scheduled and are underway, they are not complete, therefore the Council does not have a complete record of the health and safety risks it needs to manage. To date the Audit Framework has not been developed.
    - **SWAP recommendation 3)** Health and Safety training is being carried out upon induction and refresher training is also being delivered, however Members have not received any. Reports can also be run from Learning Management System (LMS), but analysis in this area could be better and this would provide greater assurance that staff and Members know to manage health and safety.

3.4 Subsequent to the SWAP audit (outlined above), together with an additional External Audit report (August 2021) - commissioned by the Director of Housing &

Communities - on some of our operational / trade services by the Building Safety Group (BSG), plus internal reviews by the H & S team, it was decided by SMT to include H & S on the Corporate Issues Register.

- The summary Issue description is - “Low maturity health and safety management systems”
- The key impacts of this issue are stated as - “To date we have seen the impact through personal injury and associated insurance claims. We have continued risk of further injury, financial and reputational damage".

3.5 Actions in Response to Audit recommendations (SWAP & BSG)

Further information detailing the recommendation response to date can be found in 4

4. Background and Full details of the Report

4.1 The Health & Safety at Work Act 1974 contains general and specific duties with which all workplace environments (public authorities such as the Council) must comply.

4.2 The general duty requires a robust HSMS structure to deliver to the requirements of the Act, within a framework recommended by The Health & Safety Executive (this is known as the HSG65 framework). This constitutes implementing process controls for:

- H & S Policy and Procedure
- Risk Management and Risk Assessment
- Safe Systems of Work/Safe Work Procedures
- Audit Framework
- Mechanisms for continuous improvement

4.2.1 Progress Update – a risk scoping exercise has been completed for each Directorate and risk assessments action plans are active and linked to Tier 3 Committee Groups.

Risk Action Plans consist of a list of risk assessments associated with the team’s activity, together with any generic risk assessments suites that need to be implemented and communicated to the team. These will incorporate controls for ensuring necessary training, supervision, instruction and the issue of relevant equipment and PPE to be able to perform their tasks safely. It may also be necessary to ensure safe systems or work (SSOW) are in place as an extra layer of safety procedure.

Supported by the H & S Partner for each Directorate, managers have responsibility to ensure their action plans are progressed and reported at the Tier 3 H & S Committee. H & S Partners present a risk assessment health check at each Directorate committee meeting, to illustrate a statement of risk management within the Directorate. This is the current position: -

Directorate	Risk Assessment Reviews	% Complete
Housing & Communities	699	21.3%
Dev, Place & Planning	242	43.8%
Internal Operations	311	19%
External Operations	619	11.8%

4.2.2 Work continues to develop the risk assessment audit framework, to ensure sufficient review dates are scheduled, to ensure continuity of compliancy. Completion of this task is reliant on the risk assessment action plans begin delivered first.

4.3 Under Section 2 (4-7) of The Health & Safety at Work Act (H&SaWA), law also stipulates a link to the Safety Committee and Safety Representatives Regulation 1977. This outlines the legal requirement to ensure that a suitable safety committee is in place (where necessary) and that key H & S Performance indicators are monitored, to measure the effectiveness and efficiency of the HSMS. There areas are namely:

- Changes to workforce that could affect H & S
- Accidents/Incidents/Near Miss
- Risk Management & Risk Assessment
- Occupational Health/Sickness/Wellbeing
- H & S Training
- Emergency Arrangements (Evacuation/First Aid/Emergency Response)
- Audit/Inspection – conclusive reporting

4.3.1 The Audit & Governance committee should note that the ‘Safety committee’ referred to above in 4.3 is what is in place through the ‘Tier 2’ H & S Committee (Officers) - which is specifically to comply with H&SaWA obligations. As part of the ‘Tier 1’ governance arrangements, however, Elected Members are involved through the Audit & Governance committee.

4.4 As part of the response to the corporate risk and issue (as outlined in the Risk assessment – section 3 above), a new governance structure for H & S Committee was launched in November 2021, implementing a 3-tier approach:

- **Tier 1** – Senior Management Team
- **Tier 1 –** Elected Members and Executive Portfolio Holder, Audit & Governance Committee
- **Tier 2** – H & S Committee (Consultative & Reporting)
- **Tier 2** – H & S Committee (Corporate Management Group) – steering and decision making
- **Tier 3** – Directorate Groups (x4)

4.4.1 **Progress Update –** Since November Tier 2 and 3 groups have built up good momentum and pace and are now in the rhythm of meeting every month and are following a consistent and structured agenda. Improved communication routes have been created (via TEAMS channels) and all committee actions are tracked and reviewed at each meeting. Tier 3 groups are chaired by Assistant Directors and early stages already indicate improvements in H & S ownership and accountability.

In the last quarter we have held 18 H&S specific meetings driving 82 actions/ recommendations through the associated action Plan.

4.5 H & S Performance Framework

4.5.1 Focusing on the key reporting requirements (4.3), Tiers 1 & 2 have reporting mechanisms to measure these categories of performance and future reporting will follow these categories.

4.5.2 Scorecard – the content of the scorecard reporting categories is summarised in appendix A. Reporting will also include a summary of observation/recommendation and conclusive actions. Scorecard reporting is reflected from Tier 3 up to Tier 1.

4.5.3 Progress Update – Directorate Scorecards are in place and deliver a statement of health, reporting on all key indicators identified in 4.3. Ahead of each monthly meeting, a committee pack is circulated containing links to scorecards, action plans, risk management plans and agenda. Committee groups are encouraged to analyse the data, observations and recommendations in preparation for discussion at the next meeting, with an objective to encourage engagement and improve the overall effectiveness of the committee.

4.7 HSMS Improvement Programme

Introduction and background

4.7.1 In addition to the implementation of the new governance arrangements described in 4.4 above, the response to the corporate risk and issue (as outlined in the Risk assessment – section 3 above) has also been to implement a robust programme management approach.

4.7.2 Several improvement activities have already been delivered, or are currently in progress, however, the new HSMS Improvement Programme has also been approved by SMT. This programme has been formed to manage a series of projects and initiatives that will ensure the organisation transforms to a new improved operational state. A Programme Brief provides an overview, and can be found in Appendix B.

4.7.3 Subsequent response to recommendations made within SWAP & BSG Audit
All recommendations have been tracked in a centralised H & S Action Plan, progress to date includes:-

- **Development of Policy Catalogue** – draft H & S Policy and Contractor Management Policy to be escalated via the next Tier 2 and SMT for approval on 6th April
- **Delivery of new corporate governance structure for H & S Committee, including new Directorate Groups and a new intranet page** - now in place and building up pace and momentum
- **Improved Risk Management processes, risk action plans and progress statistics –** all risk action plans in place and progress statistics monitored at Tier 3 Committee groups
- **Delivery of emergency training (mandatory compliance) -** contract monitoring in place to ensure that compliancy training does not cease, Safety Action Notice (RED cards) issued where necessary, to postpone activities where compliancy training is required/awaiting delivery. L&D / People Team are working up a revised process and scorecard to ensure clarity of upcoming compliancy training for all directorates, which will be displayed during the Tier 2 H&S Management Meeting.

- **Implementation of a new H & S Intranet page and links to bespoke Directorate areas for risk management and scorecard –** new intranet page for H & S delivered with links into **Directorate** specific risk areas, containing action plans and completion statistics.
- **Statutory equipment checks and the development of PUWER (Provision and Use of Working Regulation 1998) Register –** Work in Progress, this exercise spans 2 Directorates (Housing and External) and will eventually link into the risk assessment process, to ensure training for the use of equipment is formalised within the risk assessment control measures. The PUWER Register is already in place and the work required to link to the relevant risk assessments and training database, will form part of the risk actions plans (noted in 4.2.1).
- **Improved H & S Team structure with H & S Partners assigned to Directorates, to improve bespoke elements of HSMS –** full team structure now in position (x5 in total), consisting of Team Lead Specialist, x2 H & S Partners (picking up x2 Directorates each), Case Manager (soft H & S) and admin support. The team gained full capacity structure at the end of January with training/coaching still underway.

4.7.4 Progress Update – identified above against each action

4.7.5 This document is a high-level summary, including:

- The programme description and vision: ***a strong H & S culture is embedded, and effective management system is integrated across the organisation.***
- The work-streams, that make up the programme are (initially):
    - H & S Policy
    - Governance and control
    - People / HR
    - Contractor management
    - Construction Design management (CDM)
    - Risk management and audit framework
    - H & S support and systems
    - In addition - ‘Culture’ change / development, and communications & engagement will be treated as cross-cutting themes throughout the programme and all work-streams / projects & activities (rather than work-streams in their own right)
- Scope and dependencies
- Key outcomes and benefits
- Budget and resource
- Programme governance
- Issues and risks

4.7.6 The Audit & Governance committee will receive high-level updates on progress of the HSMS Improvement programme as part of quarterly H & S reports.

4.7.7 Progress Update – All workstream progress is reviewed at Tier 2 Committee meetings, actions are captured in the consolidated action plan and are filtered by specific workstream, with the workstream lead providing a progress update at the meeting (work continues to develop completion statistics for each individual workstream).

Significant progress has been made in relation to Contractor Management; with collaborative working between the H & S Team and Procurement, a centralised database has been developed. This is accompanied by a dedicated centralised SharePoint storage area, with automated links into the database, to ensure all necessary contractor documentation is accessible. Work continues to develop proformas for all types of engaging contractor/supplier, with annual reviews currently being completed for higher risk contractors (CIS – Construction Industry Scheme).

5. Links to Corporate Strategy

5.1 Paragraphs 4.1, 4.2 and 4.3 above outline legal and statutory responsibilities for Health and Safety, for which of course the Council must comply in the delivery of all its operations.

5.2 In addition, the delivery of a robust H & S function – both internally, and externally (e.g. to contractors and partners), with transparent monitoring and reporting – relates to the corporate aim of being ‘a transparent and customer-focussed council’.

6. Finance / Resource Implications

6.1 There are no financial / resource implications directly because of this report.

6.2 The Health & Safety Management System provides a vehicle for the avoidance of detrimental financial risks and may even present opportunities for cost savings (e.g., reductions in insurance premiums and claim payments).

6.3 There are approved operational budgets in 2021/22 to enable the delivery and improvement of the H & S function (as referred to within the HSMS Improvement Programme brief – Appendix B

7. Legal Implications

7.1 There are no legal implications directly because of this report.

7.2 The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental legal risks, and may even present opportunities for cost savings (e.g., reductions in insurance claim payments).

8. Climate and Sustainability Implications

8.1 There are no Climate and Sustainability implications directly as a result of this report.

9. Safeguarding and/or Community Safety Implications

9.1 There are no Safeguarding and/or Community Safety implications directly because of this report.

9.2 Improved Health & Safety processes and effective risk management assist the mitigation of risk and promote the welfare of vulnerable children and adults. Operational procedure is strengthened by integrated Health & Safety and Safeguarding processes, in turn providing the necessary protection for vulnerable groups and individuals delivering the services.

10. Equality and Diversity Implications

10.1 There are no Equality and Diversity implications directly because of this report.

10.2 The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental Equality and Diversity risks (e.g., disability / pregnancy & maternity risk assessments).

11. Social Value Implications

11.1 There are no Social Value implications directly because of this report.

12. Partnership Implications

12.1 There are no partnership implications directly because of this report.

12.2 The HSMS Improvement Programme is made of actions that are deliverable within the H & S Committee Corporate Structure at all three ‘tiers.’ Various specialist Workstream Leads have been identified within the Committee Management Group (Tier 2) therefore all partnerships at the present time are associated to internal services.

13. Health and Wellbeing Implications

13.1 There are no Health and Wellbeing implications directly because of this report.

13.2 The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental Health & Wellbeing risks, and may even present opportunities for improved Health and Wellbeing (e.g. reduced staff sickness levels).

14. Asset Management Implications

14.1 There are no Asset Management implications directly because of this report.

14.2 The Health & Safety at Work Act 1974 places duties and obligations upon the Council. The Health & Safety Management System provides a vehicle to meet those obligations to ensure compliancy, and therefore for the avoidance of detrimental Asset

Management risks, and may even present opportunities for improved asset management (e.g., through robust 'FABRIC' assessments – buildings / assets / locations / places)

15. **Data Protection Implications**

15.1 There are no Data Protection implications directly because of this report.

16. **Consultation Implications**

16.1 There are no Consultation implications directly because of this report.

16.2 The introduction of the new 3-tier governance arrangement provides significant opportunities for consultation on Health & Safety matters with all levels and areas of the Council.

17. **Scrutiny/Executive Comments / Recommendation(s)** - N/A

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency: **Quarterly**

List of Appendices

Appendix A	H & S Scorecard High Level Summary (with observations & recommendations)
Appendix B	HSMS Improvement Programme – progress update summary

Contact Officers

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Annex A - H & S Performance

Somerset West and Taunton

2021/2022

	Employees	Contractors	MOP	Totals
ACCIDENTS	22	0	12	**34**
(RIDDOR)	3	0	5	**8**
INCIDENT	15	0	11	**26**
(RIDDOR)	0	0	0	**0**
NEAR MISS	6	9	3	**18**
(RIDDOR)	1	0	0	**1**

Safety Action Notices Issued 2020/2021

	RED		YELLOW		
	open	**closed**	**open**	**closed**	**Totals**
Housing & Communities	1	7	2	5	15
External Operations	0	4	0	0	4
Internal Operations	0	0	0	0	0
Development, Place & Planning	0	0	0	0	0
Total	**1**	**11**	**2**	**5**	**19**

General Observations

- Accidents -43% (last 3 years)
- Incidents +71% (last 3 years)
- Near Miss +38% (last 3 years)
- Training/New Intranet/forms improved reporting
- Key Event reasons = slip/trip/fall (members of public), failed risk assessment, PPE
- SANs – failed risk assessments, PPE, training, Contractor Management
- Executor Risk Assessments (ETA) – not yet proactively capturing all requirements
- Contractor Management – addressing historic issues, still carrying risk
- Vehicle Events – Driver Training gap
- NO HSE INTERVENTION
- 135 H & S Inductions delivered (currently up to date)
- Mandatory e-learning completion rates increased (targets agreed)

Recommendations

- Workplace/Asset/Site Inspections(continue to galvanise risk management = reduce MOP events)
- ERA/Occupational Health – link to onboarding and return to work processes
- Access to risk assessment/SSOW – employee declarations (strengthen ownership)
- Stronger links between investigation and Insurance (conversion of accidents to claims)
- Improve pre-requisite procurement process for onboarding Contractors (already in action plan)
- Fleet and Pool Car license and driver checks to be improved (reduce vehicle incidents)

Annex B - Workstreams Summary

Somerset West and Taunton

Key Work-stream overview	Key activity to date	Next steps
Governance / Leadership & Culture - 23 actions (12 not yet started) - 8/23 Green/complete - 3/23 Amber	- All 3 tiers of H & S cttee running since Nov, and Lead Cllr for H & S agreed (addressed key SWAP audit actions) - Circa 18 H&S meetings per quarter - Comms plan developed	- Member awareness / training - H & S cttee recruitment (comms campaign) - Engagement in LGR programme? - Audit / assess 'culture' (starting with H & S cttees) - Refine & enhance reporting / scorecard data
Policy - 8 actions (4 not yet started)	- Review / refresh of overall H & S Policy	- Approve revised policy (Tier 2) - Revised sub-policies / arrangements – awareness
BAU Systems	- Software solutions researched (2 external, and other LA partners) / Project team established - Extensive list of 'BaU' systems in action plan for Tier 3 (eg COSHH, Lone working etc) - H & S intranet / sharepoint sites (addressed key SWAP audit action)	- Tender decision on new software - Implement from April (depending on decision) - Implementation of Tier 3 actions (50+ actions)
People - 10 actions	- Progress with HR data (sickness & training) - *People input to be continually reviewed vs LGR workload and value add*	- Approach to / resourcing for workstream action delivery needs agreeing (ie H & S training needs analysis / L & D & qualifications audits)
Contractor / CDM management - 9 actions - 8/9 Amber + 1 Red	- Draft policy and CDM template docs created - Contractor Database – proformas sent to 276 (highest risk contractors),	- Address 'Red' action re H & S vetting process - continue focus on high-risk contractors – report progress (responses / vetting outcome)

Report Number: SWT 49/22

Somerset West and Taunton Council

Audit and Governance Committee – 22 March 2022

Local Code of Corporate Governance for 2022/2023

This matter is the responsibility of the Leader of the Council, Cllr Smith-Roberts

Report Author: Amy Tregellas, Governance Manager and Monitoring Officer

1 Executive Summary / Purpose of the Report

To present the Committee with the updated Local Code of Corporate Governance for the 2022/2023 financial year.

2 Recommendations

That the Committee approves the Local Code of Corporate Governance for 2022/23.

3 Risk Assessment

3.1 Failure to have an up to date Local Code of Corporate Governance could impact on the quality of the Council's Annual Governance Statement and could ultimately impact on the external auditors Annual Governance Report.

4 Background and Full details of the Report

4.1 Corporate Governance is the system by which Somerset West and Taunton Council directs / controls its functions and relates to its community.

4.2 Good Corporate Governance is required to ensure that the public services provided by the Council are delivered with both confidence and credibility.

4.3 The Council is committed to the principles of effective corporate governance and has therefore adopted a Code of Corporate Governance which follows the latest guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), entitled 'Delivering Good Governance in Local Government (2016)'.

4.4 The guidance defines the seven core principles, each supported by sub-principles that should underpin the governance framework of a local authority.

4.5 7 core principles at the heart of the CIPFA/SOLACE governance framework are:

A) Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

B) Ensuring 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 the intended outcomes.

E) Developing the entity's capacity including the capability of its leadership and the individuals within it.

F) Managing risk and performance through robust internal control and strong public financial management.

G) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

4.6 The amendments to Appendix A have been highlighted in ***bold italics*** for ease of reference.

5 Links to Corporate Aims / Priorities

5.1 Having effective and efficient governance arrangements is a fundamental element of being a 'well managed' council

6 Finance / Resource Implications

6.1 None arising from this report

7 Legal Implications

7.1 None arising from this report

8 Environmental Impact Implications

8.1 None arising from this report

9 Safeguarding and/or Community Safety Implications

9.1 None arising from this report

10 Equality and Diversity Implications

10.1 None arising from this report

11 Social Value Implications

11.1 None arising from this report

12 Partnership Implications

12.1 None arising from this report

13 Health and Wellbeing Implications

13.1 None arising from this report

14 Asset Management Implications

14.1 None arising from this report

15 Data Protection Implications

15.1 None arising from this report

16 Consultation Implications

16.1 None arising from this report

Democratic Path:

- **Audit and Governance Committee – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	Local Code of Corporate Governance

Contact Officers

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Appendix A

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

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law

Sub-principle	**SWT Council is committed to achieving good governance and will: (wording taken from the guidance)**	**The Council's commitment to achieving good governance in practice is demonstrated by the following:**
Behaving with Integrity	• Ensure 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 • Ensure 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 be built on the Seven Principles of Public Life (The Nolan Principles) • Lead by example and use the above standard operating principles or values as a framework for decision making and other actions • Demonstrate, communicate and embed 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	• Members Code of Conduct • Officers Code of Conduct • Register of Interests/ declarations of interests • Procedure for dealing with complaints about Councillors • Declarations of interest made at meetings • Policy & procedure for declaration of Gifts & Hospitality • Constitution • Public access to meetings and minutes • Role of Audit & Governance & Standards Committees • Member Training & Development policy • Government guidelines for politically restricted posts • Financial Regulations • Contract Procedure Rules • Behaviours framework • Whistleblowing policy/procedure published on the website • Anti-Bribery Policy • Anti-Fraud and Corruption Strategy • Complaints Policy • Complaints system on Firmstep • Grievance Policy • Decisions published on the website

Demonstrating strong commitment to ethical values	• Seek to establish, monitor and maintain the organisation's ethical standards and performance • Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation • Develop and maintain robust policies and procedures which place emphasis on agreed ethical values • Ensure 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	• Members code of conduct • Officers code of conduct • Audit & Governance & Standards Committees • Constitution • Scheme of delegation • Member training and development Policy • ***Zero tolerance of fraud, corruption and bribery*** • ***Anti-Fraud and Corruption Strategy*** • ***Anti-Bribery Policy*** • ***Procurement Strategy***
Respecting the rule of law	• Ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations • Create 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 • Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Deal with breaches of legal and regulatory provisions effectively • Ensure corruption and misuse of power are dealt with effectively	• Statutory provisions • Statutory guidance is followed • Constitution • Committee Terms of Reference • Role of the Monitoring Officer • SHAPE Legal advice • Scheme of Delegation • Recruitment and selection procedures • Job descriptions and person specifications • ***Learning and Development Plans*** • Members code of conduct • Officers code of conduct • ***Financial and Legal implications considered on Committee Reports*** • Audit & Governance Committee • Standards Committee • Process for Gifts & Hospitality • One Team online training courses

		• Monitoring Officer provisions and record of legal advice provided by officers • Compliance with CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government • ***Compliance with CIPFA’s Financial Management Code 2019*** • Effective anti-fraud and corruption policies and procedures • ***Anti-Fraud and Corruption Strategy*** • ***Anti-Bribery Policy*** • ***Anti-Money Laundering Policy*** • ***Whistleblowing Policy*** • ***Regular updates to Audit & Governance Committee on anti-fraud work*** • Local test of assurance

<table>
<tr><th colspan="3">Principle B: Ensuring openness and comprehensive stakeholder engagement</th></tr>
<tr><td colspan="3">Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders</td></tr>
<tr><td>Sub-principle</td><td>SWT Council is committed to achieving good governance and will:
(wording taken from the guidance)</td><td>The Council’s commitment to achieving good governance in practice is demonstrated by the following:</td></tr>
<tr><td>Openness</td><td>• Ensure an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness
• Make 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</td><td>• Corporate Plan
• Annual report on the Corporate Plan
• Directorate Plans
• Record of public consultations
• <i>Constitution</i>
• <i>Committee meetings held in public unless good reasons for confidentiality</i></td></tr>
</table>

	• Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	• Committee meetings live streamed and videos available on the website • Minutes and reports of Council Committees on website • Records of decision making and supporting materials • Standard format for Committee reports • Committee work programmes • ***Portfolio Holder reports*** • Statement of Accounts • Whistleblowing policy • Annual Governance Statement • Local Government Transparency Code • ***Publication of data in line with open data requirements*** • ***Access to information regime*** • Freedom of Information publication scheme • Report pro-formas • Calendar of dates for submitting, publishing and distributing timely reports is adhered to
Engaging comprehensively with institutional stakeholders	• Effectively engage 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 • Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensure 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	• Corporate Plan • Annual report on the Corporate Plan • Directorate Plans • Work programme of the Strategy Officers • Contract Compliance Manager role for managing contracts

	•	
Engaging with individual citizens and service users effectively	• Establish 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 • Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs • Implement effective feedback mechanisms in order to demonstrate how views have been taken into account • Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Take account of the impact of decisions on future generations of tax payers and service users	• Corporate Plan • Annual report on the Corporate Plan • Directorate Plans • Work programme of the Strategy Officers • Scrutiny Committees work programme • Constitution • Committee Reporting Template

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits		
The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available		
Sub-principle	**SWT Council is committed to achieving good governance and will: (wording taken from the guidance)**	**The Council's commitment to achieving good governance in practice is demonstrated by the following:**
Defining outcomes	• Have a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes	• Corporate Plan • Annual report on the Corporate Plan

	containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions • Specify 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 • Deliver defined outcomes on a sustainable basis within the resources that will be available • Identify and manage risks to the achievement of outcomes • Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available	• Directorate Plans • Work programme of the Strategy Officers • Risk & Opportunity Management Strategy • Performance & Risk reporting
Sustainable economic, social and environmental benefits	• Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • Take 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 • Determine 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 • Ensure fair access to services	• Corporate Plan • Annual report on the Corporate Plan • Directorate Plans • Work programme of the Strategy Officers • Budget Monitoring reports • Annual Governance Statement • Record of public consultations • Climate and sustainability issues considered as part of every committee report • Reports and minutes available on the website • ***Financial Strategy*** • Commercial Investment Strategy • Capital, Investment and Treasury Management Strategies • Capital Programme • Monthly Performance Board meetings

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

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

Sub-principle	**SWT Council is committed to achieving good governance and will: (wording taken from the guidance)**	**The Council's commitment to achieving good governance in practice is demonstrated by the following:**
Determining interventions	• Ensure 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 • Consider 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	• Constitution • Council reports, and underlying Business Case where appropriate, required to outline options considered and inherent risks • Financial Strategy
Planning interventions	• Establish and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets • Engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered • Consider and monitor risks facing each partner when working collaboratively, including shared risks • Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances	• Corporate Plan • Annual report on the Corporate Plan • Directorate Plans • Forward Plan • Risk & Opportunity Management Strategy • Constitution • Schedule of meetings • Budget and Policy Framework within the Constitution • Medium Term Financial Strategy • Financial Regulations • Contract Procedure Rules • Planning protocols in the Constitution

	• Establish 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 • Ensure capacity exists to generate the information required to review service quality regularly • Prepare budgets in accordance with objectives, strategies and the medium term financial plan • Inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	• Quarterly Performance and Risk Reports • Budget Monitoring Reports
Optimising achievement of intended outcomes	• Ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints • Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Ensure the medium term financial strategy sets the context for ongoing decisions 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 • Ensure the achievement of ‘social value’ through service planning and commissioning.	• Financial Strategy • Corporate Plan • Directorate Plans • Monthly Performance Board meetings • Work programme of the Strategy Officers • Constitution • Budget and Policy Framework • Financial Regulations • Contract Standing Orders • Role of the Project Management Office • Contract Compliance Manager role for managing contracts • Social Value implications are included in the Committee report template

Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it		
Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities		
Sub-principle	**SWT Council is committed to achieving good governance and will: (wording taken from the guidance)**	**The Council’s commitment to achieving good governance in practice is demonstrated by the following:**
Developing the entity’s capacity	• Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improve 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 • Recognise the benefits of partnerships and collaborative working where added value can be achieved • Develop and maintain an effective workforce plan to enhance the strategic allocation of resources.	• Corporate Plan • Directorate Plan • Monthly Performance Board meetings • Work programme of the Strategy Officers • Role of the Project Management Office • Contract Compliance Manager role for managing contracts • Role of the HR Business Partners
Developing the capability of the entity’s leadership and other individuals	• Develop 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 • Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body • Ensure 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	• Elected Member Training and Development Policy • Corporate Plan • Directorate Plans • Monthly Performance Board meetings • Audit, Governance and Standards Committee • Induction programme • One Team online learning • Internal Audit Reports • External Audit Reports • Role of HR Business Partners Managers • Constitution

	• Develop 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 risks by: ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged • Ensure members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensure that they are able to update their knowledge on a continuing basis • Ensure personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external • Ensure that there are structures in place to encourage public participation • Take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspection. • Hold staff to account through regular performance reviews which take account of training or development needs • Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	• Scheme of Delegation reviewed at least annually • Financial Regulations • Job Descriptions • Member Champion's Protocol • Top team development • Joint sessions of the Executive and Senior Management Team • Public Question Time as standing item on each Committee agenda • Every Committee meeting live streamed and video available on the website • Record of decisions published on the website • Strategic Tenants Board • Operational Tenants Board • Local Plan Consultation process • Human Resources Policies • Wellbeing Champions • Member Champion's Protocol • Performance Management framework • ***Role of the Health & Safety Team*** • ***Wellbeing Intranet Pages***

Principle F: Managing risk and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-principle	**SWT Council is committed to achieving good governance and will: (wording taken from the guidance)**	**The Council's commitment to achieving good governance in practice is demonstrated by the following:**
Managing Risk	• Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implement robust and integrated risk management arrangements and ensure that they are working effectively • Ensure that responsibilities for managing individual risks are clearly allocated	• Risk & Opportunity Management Strategy • Corporate Risk Register • ***Quarterly Performance and Risk Reporting*** • Monthly Performance Board meetings • Mod.gov system • Members Code of Conduct • Register and declaration of Interests • Officer Code of Conduct • Role of the Audit & Governance Committee • One team online learning
Managing Performance	• Monitor service delivery effectively including planning, specification, execution and independent post implementation review • Make 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 • Ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions	• Corporate Plan • Directorate Plans • Monthly Performance Board meetings • Quarterly performance and risk reports to Scrutiny Committees and Executive • Complaints Policy • Committee work programmes • Scrutiny Committees Terms of Reference • Scrutiny Committees work programme

	are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).	• Public access to meetings and minutes • Publication of agenda and accompanying papers • Committee reports • Training and Development for Members • Self Assessment of the Audit & Governance Committee • Budget Monitoring Reports • Constitution • Role of the Project Management Office • Contract Compliance Manager role for managing contracts • Role of the HR Business Partners • Risk & Opportunity Management Strategy • Budget and Policy Framework • Financial Strategy • Scheme of delegation • Financial Regulations • Contract Standing Orders
Robust Internal Control	• Align the risk management strategy and policies on internal control with achieving objectives • Evaluate and monitor risk management and internal control on a regular basis • Ensure effective counter fraud and anti-corruption arrangements are in place • Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensure an audit committee which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon	• Local Code of Corporate Governance • Annual Governance Statement • Effective Internal Audit service is resourced and maintained • Internal Audit Plan • Internal Audit reports • Internal Audit progress reports to Audit & Governance Committee • Terms of Reference for Audit & Governance Committee • Training for Audit & Governance Committee members • Chief Internal Auditors Annual Report and opinion • Risk & Opportunity Management Strategy • Anti-Fraud & Corruption Strategy • ***Anti-Bribery Policy***

		• ***Anti-Money Laundering Policy*** • ***Whistleblowing Policy*** • ***Fraud updates to the Audit & Governance Committee*** • Self Assessment of the Audit & Governance Committee • Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption
Managing data	• Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensure effective arrangements are in place and operating effectively when sharing data with other bodies • Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring	• General Data Protection Regulations training for officers and Members • Data Protection Policy • Designated Data Protection Officer • Information Governance Policies • Data sharing agreements • Data processing agreements • ***Data Breach Policy*** • ***Register of Data Breaches*** • ***New Corporate file plan includes safeguards for personal data***
Strong public financial management	• Ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance • Ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	• Financial Strategy • Budget and Policy Framework • Budget Monitoring • Financial Regulations • Contract Standing Orders • ***Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government*** • ***Compliance with CIPFA's Financial Management Code 2019*** • ***Role of the Finance Business Partners*** • ***Commercial Investment Strategy*** • ***Capital, Investment and Treasury Management Strategies*** • ***Capital Programme***

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability		
Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability		
Sub-principle	**SWT Council is committed to achieving good governance and will:** **(wording taken from the guidance)**	**The Council's commitment to achieving good governance in practice is demonstrated by the following:**
Implementing good practice in transparency	• Write and communicate 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 • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.	• Website • Corporate Plan • Members Code of Conduct • Officers Code of Conduct • Register of Interests • Declarations of Interest recorded in Committee Minutes • Role of the Scrutiny Committee • Role of the Audit & Governance Committee • Committee meetings live streamed and videos available on the website • Public access to meetings and minutes • Public access to agendas and reports • Complaints Procedure • Local Government Transparency Code • Publication Scheme
Implementing good practices in reporting	• Report at least annually on performance, value for money and the stewardship of resources to stakeholders in a timely and understandable way • Ensure members and senior management own the results reported • Ensure robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publish the results on this assessment, including an action	• Corporate Plan • Annual report on the Corporate Plan • Monthly Performance Board meetings • Quarterly Performance & Risk Reports to Scrutiny Committees and Executive • Statement of Accounts • Quarterly budget monitoring reports

	plan for improvement and evidence to demonstrate good governance (the annual governance statement) - Ensure that this Framework is applied to jointly managed or shared service organisations as appropriate - Ensure 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	- Annual Governance Statement and review process including the Local Code of Corporate Governance - Mod.gov system - Delegated Portfolio decision making template
Assurance and effective accountability	- Ensure that recommendations for corrective action made by external audit are acted upon - Ensure 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 - Welcome peer challenge, reviews and inspections from regulatory bodies and implement recommendations - Gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement - Ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	- Internal Audit Annual Plan - Internal Audit Reports - Internal Audit Annual Report - Internal Audit progress reports to the Audit Governance and Standards Committee - Compliance with the Public Sector Internal Audit Standards - External Auditor Reports - Annual Governance Statement - Monthly Performance Board meetings - ***Compliance with CIPFA's Statement on the role of the Head of Internal Audit (2010)*** - ***Audit recommendation tracker and update reports to the Audit & Governance Committee***

Report Number: SWT 50/22

Somerset West and Taunton Council

Audit and Governance Committee – 22 March 2022

Annual Governance Statement Action Plan Update

This matter is the responsibility of the Leader of the Council, Cllr Federica Smith-Roberts

Report Author: Amy Tregellas, Governance Manager

1 Executive Summary / Purpose of the Report

1.1 To present the Committee with an update of progress against the Annual Governance Statement Action Plan for 2020/21 (Appendix A).

2 Recommendations

2.1 That the Committee notes the progress against the Annual Governance Statement Action Plan for 2020/21.

3 Risk Assessment

3.1 Failure to have robust governance arrangements in place could impact on the Council's control environment and ability to operate in an economic, efficient and effective manner. This could lead to recommendations being made by Internal and External Audit.

4 Background and Full details of the Report

4.1 The Annual Governance Statement (AGS) is a statutory document which provides assurance on the governance arrangements and control environment within the Council.

4.2 The Statement is prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) guidance and a review of the Council's governance arrangements.

4.3 The Annual Governance Statement includes an Action Plan to address any governance issues identified during the review of the Council's governance arrangements.

4.4 In order to ensure that the actions are being delivered it is important that the Committee review progress against the Action Plan, hence this report.

4.5 The Committee are asked to note this report.

5 Links to Corporate Strategy

5.1 Having a robust, effective and efficient governance framework in place is a fundamental element of being a ‘well managed’ council and avoiding recommendations from Internal and External Auditors.

6 Finance / Resource Implications

6.1 None arising from this report

7 Legal Implications

7.1 None arising from this report

8 Climate and Sustainability Implications

8.1 None arising from this report

9 Safeguarding and/or Community Safety Implications

9.1 None arising from this report

10 Equality and Diversity Implications

10.1 None arising from this report

11 Social Value Implications

11.1 None arising from this report

12 Partnership Implications

12.1 None arising from this report

13 Health and Wellbeing Implications

13.1 None arising from this report

14 Asset Management Implications

14.1 None arising from this report

15 Data Protection Implications

15.1 None arising from this report

16 Consultation Implications

16.1 None arising from this report

Democratic Path:

- **Audit and Governance Committee – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency: adhoc

List of Appendices (delete if not applicable)

Appendix A	Annual Governance Statement Action Plan Progress Report

Contact Officers

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Appendix A – Annual Governance Statement Action Plan Update

Issue Identified	Action to be taken	Lead Responsible Officer & Deadline	Update
Corporate Governance			
The Constitution should be reviewed and amended to make it more user friendly and clearer to use	The Monitoring Officer to review the various sections of the Constitution and then to take reports forward to the Constitution Working Group for consideration.	Governance Manager & Monitoring Officer 31/12/21	Amendments to the Constitution have been made as and when appropriate and come before Council. This will continue whilst SWT is still in existence. More detailed work on the Constitution has been superseded by the Unitary Council and the Governance work stream is drafting the new Constitution for the Unitary Authority.
The procedure for dealing with complaints about Councillors needs to be reviewed and updated	Review and update the procedure for dealing with complaints about Councillors	Governance Manager & Monitoring Officer 31/10/21	The procedure for dealing with complaints has been amended and the Monitoring Officer will convene a meeting of the Standards Committee. This will then go to the Annual Meeting of Full Council for sign off. The Governance workstream for the Unitary Council has drafted a new complaints process for the Unitary Council.
The information on the Council website relating to complaints about Councillors needs to be reviewed and updated	Review and update the information on the Council website in respect of complaints about Councillors	Governance Manager & Monitoring Officer 31/10/21	Completed

Issue Identified	Action to be taken	Lead Responsible Officer & Deadline	Update
The Officer Scheme of Delegation needs to be reviewed following the revision to the directorate structure	The Monitoring Officer to send each Assistant Director the Officer Scheme of Delegation to review for their area and to ensure that the legislation is still current and relevant	Governance Manager & Monitoring Officer 31/10/21	Each Assistant Director was sent the Scheme of Delegation 05/10/21 and provided updates. This is being amended again following the decision not to fill the Director of External Operations role at the current time.
Performance Management			
The Council doesn't currently have a Data Quality Policy	Draft a Data Quality Policy	Business Intelligence & Performance Manager 31/12/21	It is proposed that this action is picked up by the Corporate Policy workstream for the Unitary Council.
Risk Management			
Whilst Performance and Finance reports have been going before the Scrutiny Committee and Executive on a quarterly basis, this now needs to happen with the Key Business Risk Register	Ensure that there is quarterly reporting to the Scrutiny Committee(s) and Executive on the key business risks	Business Intelligence & Performance Manager Quarterly from June 2021	Completed – quarterly reports have been going to the Scrutiny Committees and Executive during the 2021/22 financial year as part of the Corporate Performance Report

Issue Identified	**Action to be taken**	**Lead Responsible Officer & Deadline**	**Update**
The level and detail of risks captured at service level is weak. Some services are piloting the use of service risk registers which feed into the directorate register	Once the pilot has been completed ensure that the process for service risk registers is rolled out across the whole organisation. Any service risks scoring 15 or more should be included as part of the key business risk register	Business Intelligence & Performance Manager 31/12/21	Work to develop service risk registers is still ongoing and is being included as part of the transition arrangements to the new unitary authority. The councils risk registers are being migrated from Excel documents to SharePoint lists and the new format will make it easier to facilitate the further development of service risk registers, and will enable risks to more easily be escalated to the Directorate or Corporate risk register when necessary.
Staff have not received risk management training recently	Run a number of training sessions for officers on Risk Management, ensuring it aligns to the Risk and Opportunity Management Strategy.	Business Intelligence & Performance Manager 30/11/21	Further training for officers is still in development and we are looking at e-learning modules for risk management training within SWT.
Openness and Transparency			
Currently we do not publish the feedback from complaints on the website	‘You said, we did’ on the website to demonstrate what we have changed as a result of complaints and feedback	Assistant Director – Customer 30/09/21	Completed – this is now available on the website

Issue Identified	Action to be taken	Lead Responsible Officer & Deadline	Update
Currently going into confidential session in a meeting is confusing for members of the public and we need to change our approach in favour of transparency	Give a better explanation re public interest test v confidential session. Use better wording on agendas and at Committees. Give more information on the website (this is part of the work in the Constitution)	Governance Manager & Monitoring Officer 31/12/21	Completed – additional wording has been added to agendas that include confidential items. Where part of an item of business is confidential wording has also been added to agendas to make it as clear as possible as to what will be considered in the public domain and what will require going into confidential session.
Information relating to accessing information is currently not in one place on the website or easy to find	Set up a page on the website called 'Access to Information'. This is to include Data Protection information including Privacy Statements, Freedom of Information including disclosure log, Publication Scheme and Transparency Code requirements	Governance Manager & Monitoring Officer 31/12/21	Work in progress – new target date 31/03/22
We do not currently publish our responses to FOI requests	Publish a Freedom of Information Disclosure log on the website	Assistant Director – Customer 30/09/21	We now publish FOI statistics on the website but not a disclosure log. However, individuals submitting an FOI request are able to search the Firmstep log for previous similar requests before submitting their request.

Issue Identified	Action to be taken	Lead Responsible Officer & Deadline	Update
Member Training and Development			
Ethical awareness needs to be improved	Ethical awareness training for Councillors at least twice a year	Governance Manager & Monitoring Officer 31/03/22	Ethical items have been covered in the March 2022 ethical newsletter and further awareness training will be arranged following the May 2022 elections
Work with the Member Training and Development Group to produce a Members' training plan	Feed the information from the Members' training and development requirements into a Member training plan and use this information to source future training	Governance Manager & Monitoring Officer 31/10/21	Feedback from Member one to ones has been used to inform Member Briefings for 2022/23. Work on Member Training and Development is being picked up as a workstream under the Unitary Council Governance work, to ensure that there is appropriate induction training for the new Unitary Councillors
Ethical Standards			
Ethical awareness needs to be improved	Monitoring Officer to send quarterly updates to Officers and Members reminding them to declare any interests, and gifts & hospitality	Governance Manager & Monitoring Officer Quarterly from 30/09/21	Ethical newsletter sent to Members in March 2022. Next edition to be sent to Members in June 2022. Electronic registers now in place for Officer declarations of interests and gifts & hospitality. Update sent to officers and quarterly reminders now scheduled.

Issue Identified	Action to be taken	Lead Responsible Officer & Deadline	Update
Ethical awareness needs to be improved	Quarterly ethical newsletter for Councillors	Governance Manager & Monitoring Officer Quarterly from 30/09/21	Ethical newsletter sent to Members in March 2022. Next edition to be sent to Members in June 2022
Member Communications			
Members are not currently getting feedback from outside reps on outside bodies	Gaining information about what the outside bodies are all about is Member Training and Development. Investigate with the Member Training and Development Group how best to ensure that information from reps on outside bodies is captured and disseminated to wider membership	Governance Manager & Monitoring Officer 31/10/21	Expand and change the focus on the SWT newsletter
Policies and Procedures			
We do not currently have an up to date Communications Strategy	Communications Strategy to be drawn up	Service Lead - Communications Operations 31/12/21	The Communications Strategy is in draft. Next steps are to finalise and publish. This piece of work will be superseded by the Unitary Council workstream on communications
Contracts			
The Contracts Register is out of date	Ensure that the Contract Register is reviewed and updated	Strategic Procurement Specialist	Complete

Issue Identified	Action to be taken	Lead Responsible Officer & Deadline	Update
Officers need to have training on the procurement process	Training for officers on the procurement process. E-learning courses set up to be instigated for service contract/project managers and service procurement users	Strategic Procurement Specialist	Further training for officers is in development and is being picked up through the LGR Procurement workstream
People Management			
The Council doesn't currently have a People/Workforce Strategy that aligns with the Corporate Strategy and MTFP	Once the Unitary decision is known, work with colleagues to align a People/Workforce Strategy	HR Business Partner Target date to be confirmed in line with Unitary	This action is being picked up as part of the People (Staff) workstream for the Unitary Authority
HR Policies and procedures are out of date	Ensure that all HR policies and procedures have been updated to be relevant for SWT.	HR Business Partner 30/11/21	Policies have been re-written. A number of them are currently with Unison for comment. Next steps will be to finalise the policies and publish on the staff Intranet.
Job descriptions are generic	Job descriptions to be updated to include job related person specifications and wording to make it clear that all staff are responsible for Health & Safety, FOI and complaints	HR Business Partner Target date to be confirmed in line with Unitary	This action is being picked up as part of the People (Staff) workstream for the Unitary Authority

Issue Identified	**Action to be taken**	**Lead Responsible Officer & Deadline**	**Update**
The induction process needs to be improved	Review and update the Induction process for officers and focus on basic things that all officers need to know as well as a tailored induction for items that are more job specific	HR Business Partner 31/10/21	Completed – The corporate induction process has been reviewed and is available on the Learning and Development pages on the Intranet. There is a separate induction process for Health & Safety. Job specific induction is handed over to the employees Line Manager
Community Engagement Strategy			
We don't currently have an up to date Community Engagement Strategy	Draft a Community Engagement Strategy to include the type of issues that we will meaningfully consult on or involve communities, individual citizens and service users	Director for Housing and Communities 31/03/22	Housing have confirmed that the Engagement Policy is in draft and being reviewed by the Housing Quality Network before being finalised.
IT Policies and Procedures			
IT Policies and procedures need to be reviewed in light of the change to working arrangements	To carry out a review of IT Policies and Procedures	IT Manager 31/10/21	Complete - IT Usage Policy reflects current working arrangements. Other policies are being picked up through the LGR IT workstream.

Report Number: SWT 51/22

Somerset West and Taunton Council

Audit and Governance Committee – 22 March 2022

Updated Risk & Opportunity Management Strategy for 2022/2023

This matter is the responsibility of Executive Councillor Member for Corporate Resources, Cllr Ross Henley

Report Author: Amy Tregellas, Governance Manager

1 Executive Summary / Purpose of the Report

1.1 To present the Committee with the updated Risk and Opportunity Management Strategy for approval.

2 Recommendations

2.1 The Committee approve the updated Risk and Opportunity Management Strategy (Appendix A) for the 2022/23 financial year.

3 Risk Assessment

3.1 Failure to take advantage of opportunities and mitigate business risks is a major risk to the Council and could impact on the Council's ability to deliver its strategic objectives. Failure to regularly review and update the Risk and Opportunity Management Strategy could have an adverse impact on the Council's Annual Governance Statement

4 Background and Full details of the Report

4.1 The Audit, Governance and Standards Committee last approved the Council's Risk and Opportunity Management Strategy on 1 February 2021.

4.2 The purpose of this report is to present the Audit and Governance Committee with the Council's updated Risk and Opportunity Management Strategy (attached as Appendix A) for consideration and approval.

4.3 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.

4.4 Risk and Opportunity Management is not a separate initiative, but is the demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk and Opportunity Management, are reflected in the activities of the Council. The Council also has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations and the publication of an Annual Governance Statement.

4.5 Approval of the Risk and Opportunity Management Strategy will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles, and this Strategy will come before the Committee on an annual basis.

4.6 The amendments to the Strategy are highlighted in ***bold italics*** for ease of reference.

5 Links to Corporate Strategy

5.1 Having effective Risk and Opportunity Management arrangements in place is crucial for identifying risks and opportunities associated with delivering the Council's Corporate Strategy. It also forms a fundamental element of being a well-managed Council.

6 Finance / Resource Implications

6.1 Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

7 Legal Implications

7.1 Failure to mitigate risks could result in a number of legal implications for the Council

8 Climate and Sustainability Implications

8.1 None arising from this report

9 Safeguarding and/or Community Safety Implications

9.1 None arising from this report

10 Equality and Diversity Implications

10.1 None arising from this report

11 Social Value Implications

11.1 None arising from this report

12 Partnership Implications

12.1 None arising from this report

13 Health and Wellbeing Implications

13.1 None arising from this report

14 Asset Management Implications

14.1 None arising from this report

15 Data Protection Implications

15.1 None arising from this report

16 Consultation Implications

16.1 None arising from this report

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – Yes**
- **Cabinet/Executive – No**
- **Full Council – No**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	Risk Management Strategy

Contact Officers

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Somerset West and Taunton Council
Risk and Opportunity Management Strategy

1.0 Background

1.1 This combined Risk and Opportunity Management Strategy details the Council's framework for managing business risk and opportunity. The Risk and Opportunity Management framework is the culture, processes and structures that are directed towards effective management of potential risks and opportunities that the council faces in delivering its objectives.

1.2 The definition or risk and risk management varies. ALARM (the Association of Local Authority Risk Managers) and the IIA (Institute of Internal Auditors) define Risk Management as follows:

ALARM
"Risk Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives".

IIA
"Risk is the possibility of an event occurring that will have an impact on the achievement of objectives. Risk Management is concerned with positive and negative aspects of risk. So as well as managing things that could have an adverse impact (downside risk) it also looks at potential benefits (upside risk)."

1.3 In organisations, Risk Management is central to good governance. Enterprise risk management (ERM) describes what happens when organisations put in place a structured, continuous process to identify, manage and respond to risk.

1.4 The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives. The factors underpinning ISO31000 2018 is that Risk Management should be:

- Integrated
- Structured and comprehensive
- Customised
- Inclusive
- Dynamic
- Based on the best available information
- Inclusive of human and cultural factors
- Continual improvement

1.5 Developing and improving public services in the current challenging climate requires opportunities to be taken whilst managing the risks involved. Therefore Somerset West and Taunton Council's definition of Risk and Opportunity Management is:

"The planned and systematic approach to identify, evaluate and manage the risks to, and opportunities for, to achievement of objectives"

1.6 The overall process of managing risk and opportunity can be divided into:

- The identification and analysis of risks and opportunities
- Risk and opportunity management, which encompasses the planning, controlling and monitoring of the information derived from the risk and opportunity analysis.

2.0 Purpose, Aims and Objectives

2.1 The purpose of the strategy is to embed risk and opportunity management in the Authority by establishing a risk management framework, which provides:

- An efficient control environment
- The overt allocation of accountability for risk and opportunity management throughout the organisation
- A culture where officers and Members are able to be more creative and innovative in taking opportunities that benefit the Council and the District provided that there is clear analysis of the risks and a robust justification for the decision
- A well-established risk and opportunity assessment process which ensures that risks and opportunities are considered and managed as part of the decision making process
- Performance monitoring of risk and opportunity management activity
- Communications process to support risk and opportunity management
- A robust opinion for the Annual Governance Statement which comments of the adequacy of the Council's risk and opportunity management arrangements

2.2 The aim of the Somerset West and Taunton Council Risk and Opportunity Management Strategy is to adopt best practices in the identification and evaluation of risks and opportunities and the cost-effective control of risks to ensure that they are reduced to an acceptable level.

2.3 It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

2.4 The risk and opportunity management objectives of the Council are to:

- Embed risk and opportunity management into the culture of the Council
- Fully incorporate risk and opportunity management as an integral part of corporate planning, business planning, project management and performance management
- Manage risk and opportunity in accordance with best practice and in particular in accordance with the requirements of the Annual Governance Statement
- Consider legal compliance as a minimum

- Prevent injury and damage and reduce the cost of risk
- ***Prevent the risk of fraud and corruption***
- Raise awareness of the need for risk and opportunity management

2.5 These objectives will be achieved by:

- Establishing a clear risk and opportunity management process that is communicated to all officers and Members
- Clearly define roles and responsibilities for risk and opportunity management
- Developing an action plan for embedding risk and opportunity management with tasks and milestones for monitoring progress against targets
- Providing risk and opportunity management training to officers and members
- Completing corporate and operational risk and opportunity management workshops to identify risks
- Conducting risk and opportunity management workshops to identify the risks and opportunities of any major projects
- Maintaining and reviewing a register of corporate, operational and project risks and opportunities and assigning ownership for each risk
- Ensuring that reports to the Executive, Scrutiny Committee, Audit and Governance Committee, Standards Committee and Regulatory Committees (Planning and Licensing) include a risk and opportunity assessment
- Identifying risks and opportunities in relation to working in partnerships
- Ensuring that the Executive and Scrutiny Committee receive quarterly reports on the key business risks and opportunities and takes action to ensure that business risks and opportunities are being actively managed

2.6 The following sections consider how the Council will implement the above objectives.

3.0 Roles and Responsibilities

3.1 In order to ensure that risk management is adopted throughout the Council to facilitate the enterprising approach that the Council wishes to take, there needs to be a strong risk management culture from the top to the bottom to drive this change. The following groups and individuals have the following roles and responsibilities for risk and opportunity management within the Council.

3.2 The **Audit and Governance Committee** will approve this risk and opportunity management strategy and any subsequent revisions. They will also monitor the effective development and operation of risk and opportunity management within the Council and will consider the adequacy of the Council's risk and opportunity management arrangements as part of the Annual Governance Statement.

3.3 The **Senior Management Team (SMT)** is primarily responsible for setting the organisations risk appetite, identifying corporate strategic risks and opportunities, as well as being responsible for determining action on these risks and opportunities and delegating responsibility for the control of the risks and opportunities. SMT will also be responsible for monitoring the progress of managing risks and opportunities and will review quarterly reports which go to the Executive and Scrutiny Committee.

3.4 The **Executive** will also monitor the effective development and operation of risk and opportunity management within the Council by receiving quarterly progress reports on the Council's key business risks and opportunities through the performance and risk report.

3.5 The **Scrutiny Committees** will also receive quarterly progress reports on the risks and opportunities through the performance and risk report. Any concerns or issues will be reported to the Executive and/or the Audit and Governance Committee.

3.6 The **Portfolio Holder for Corporate Resources** will:

- Communicate the importance of risk and opportunity management to other Members
- Act as a sounding board and provide a critical friend challenge to the risk and opportunity management process

3.7 **Directors/Assistant Directors/Service Managers** will be responsible for:

- Leading the risk and opportunity management process within their services and ensuring that business plans include an annual assessment of key risks and opportunities
- Identifying and managing significant operational risks by carrying out risk assessments with their teams as and when this becomes appropriate i.e. if making a significant change to service or undertaking a project
- Developing actions to mitigate the risks identified, assigning responsibility for implementing controls and set realistic target dates for implementation
- Ensure that there are robust controls in place within their service areas to prevent the risk of fraud and corruption
- Ensuring that all risks are on the corporate risk register
- Regularly reviewing risks associated with their service area(s) ensuring that the agreed actions and deadlines have been met
- Ensuring that any briefing papers/ reports that they produce to make changes to their services will consider the associated risks and opportunities of any proposed course of action

3.8 The **Director for Internal Operations** (or her nominated deputy) is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this risk and opportunity management strategy and for reviewing compliance with mitigating controls introduced by the Service Managers. The Director for Internal Operations (or her nominated deputy) will comment upon the effectiveness of the risk and opportunity management process in work undertaken to support the Annual Governance Statement. The Director for Internal Operations (or her nominated deputy) will also chair the Council’s Health & Safety Committee to ensure that any risks arising from the work of this group will be incorporated into the Corporate Risk Register.

3.9 The **Health and Safety Committee** is responsible for reviewing the measures taken to ensure the health and safety of all those who work in and visit the Council or may be affected by its activities - ensuring that people are not exposed to risks and that the risks are mitigated effectively. Where concerns are raised these will be escalated to the Health and Safety Officer and SMT for action.

3.10 All **employees** need to have an awareness of risk and opportunity management and are responsible for ensuring that they manage risk effectively in their jobs and report hazards, ***potential fraud*** and risks to their Director/Assistant Director/Service Manager.

3.11 Anything relating to commercial investments will go to the Commercial Investment Board

4.0 Strategic, Operational and Project Risks

4.1 Broadly speaking risks can be divided into three categories:

- Strategic – risks which need to be taken into account in judgements about the medium to long term goals and objectives of the Council whilst at the same time considering the opportunities; and
- Operational – risks and opportunities which managers will encounter in the daily course of their work.
- Project - risks and opportunities which will be encountered during specific tasks/projects being undertaken

4.2 Strategic Risks

4.2.1 The management of strategic risks and opportunities is a core responsibility of the Leadership Team. Strategic risk and opportunity assessments should be factored in to corporate and service planning.

4.2.2 The major categories of strategic risk are:

- Political – associated with failure to deliver either local or central government policy. The Council could also potentially be at risk from the actions of other agencies, other Councils, partner organisations, etc.

- Economic – affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures as well as external factors affecting the economy as a whole. ***For 2022/23 this could include increases in inflation, interest rates and energy bills, as well as supply chain disruption and people shortages.***

- Social – relating to the effects of changes in demographic, residential or socioeconomic trends on the council’s ability to deliver its objectives.

- Technological – associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. ***This could include cyber threats.***

- Pandemics – such as Coronavirus, which have the potential to fundamentally change the way the Council operates and delivers services to the local community. Also Council would need to be agile in delivering local or central government policy.

- ***Unitary Council for Somerset – this becomes a strategic risk in 2022/23 as the 4 Districts and County now have 12 months until the vesting day for the new Council. This is a risk to SWT due to the resources that will need to be invested in setting up the new Council and the impact it will have on SWT to carry on with delivering its objectives and business as usual***

- Data Protection/Information Security – this includes the consequences of data/information transfer between the Council and other Bodies i.e. Government Connect, Partnership working, data collection, processing of data and data storage, etc.

- Legislative – associated with current or potential changes in national or European Law, e.g. Bexit.

- Health and Safety – This includes all aspects of Health & Safety as well as the Corporate Manslaughter legislation

- Human Resource – ***For 2022/23 this could include people shortages due to the ongoing Covid pandemic and the recruitment and retention of staff due to the move to a Unitary Council for Somerset and the number of jobs available across the UK economy.***

- Environmental – relating to the environmental consequences of progressing the council’s strategic objectives (e.g. in terms of climate change including energy efficiency, ***ecology***, pollution, recycling, landfill requirements, emissions, phosphates, etc).

- Climate Change - affecting the ability of the council to meet its commitments in respect of climate change and meeting climate change targets

- Competitive – affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Value for Money.

- Customer/Citizen – associated with failure to meet the current and changing needs and expectations of customers and citizens.

- Partnership – associated with working in partnership or sharing services with another local authority or partner
- Reputation – associated with the potential for negative publicity, public perception or uncontrollable events which have an adverse impact on the Council's reputation
- ***Fraud and Corruption – associated with misappropriation of Council assets, corruption, bribery, financial and procurement fraud, theft of physical assets or intellectual property, cyber fraud and customer fraud. Has the potential to affect the Council's finances and ability to deliver services to customers, and ultimately impact on the reputation of the Council***

4.3 Operational Risks

4.3.1 Risks which managers and staff will encounter in the daily course of their work. These may be:

- Professional – associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).
- Financial – associated with financial planning and control and the adequacy of insurance cover.
- Legal – related to possible breaches of legislation.
- People – problems recruiting and retaining staff particularly in specialist areas such as Planning and Finance, etc
- Personal Safety – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.
- Physical – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).
- Contractual – associated with the failure of contractors to deliver services or products to the agreed cost and specification.
- Technological – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)
- ***Fraud and Corruption – associated with misappropriation of assets, corruption, bribery, financial and procurement fraud, theft of physical assets or intellectual property, cyber fraud and customer fraud. Has the potential to affect the services ability to deliver services to customers***

4.4 Project Risks

4.4.1 Risks which will be encountered during specific tasks/projects being undertaken. These may be:

- People – associated with whether we have the right people with the right skills involved in the task/project. This also concerns getting buy in from staff at all levels of the organisation, Members and potentially external stakeholders

- Technical – associated with the Councils reliance on the software provider to deliver what has been agreed in the contract and that they provide support for dealing with any systems problems or issues

- Cost – associated with the potential for the project to go over budget if the people and technical matters are not delivered as per the Business Case and PID

- Time – ensure that the right amount of time is allocated to the project as well as sufficient contingency as slippage can cause to project delay/failure and this can also have an impact on cost and quality

- Quality – depending on what goes into the project will determine the quality of the output

4.5 Opportunities

4.5.1 Opportunities are to be considered at the same time as the risks. Examples may include:

- Spend to save projects where the Council will benefit from reduced expenditure or increased income in the future
- Transformational change which will generate cost savings or an income stream
- Opportunities for great partnership working with our stakeholders or other local authorities
- Opportunities to streamline working processes
- Opportunities to boost the local economy
- Opportunities to deliver and improve housing within the District
- Opportunities to protect and enhance our environment and to reduce the impact of climate change
- Opportunities to make a difference to our communities and to empower them
- Delivery of the objectives in the Corporate Plan and Service Business Plans

4.6 The categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying and categorising a broad range of risks and opportunities for the Council as a whole, as well as service areas.

5.0 Risk Identification

There are numerous ways to identify risks. The Council will use a combination of these techniques.

Information Gathering Techniques
The standard practice to identify risks is reviewing relevant information such as:
- Corporate Strategy
- Directorate Plans
- Service Plans
- Project Plans
- Risk, Action, Issues and Decision (RAID) logs
- Annual Governance Statement
- Committee Reports
- Briefing papers
- Government and/or other guidance
- Legislation
- Internal/External Audit reports
- Health and Safety Committee
- Accident and incident reports
- Lessons learned from projects or tasks
- Best practice articles
- Reviews of organisational process

Interviews
An interview is conducted with task or project participants, stakeholders, experts, etc to identify risks. Document the results of the interview.

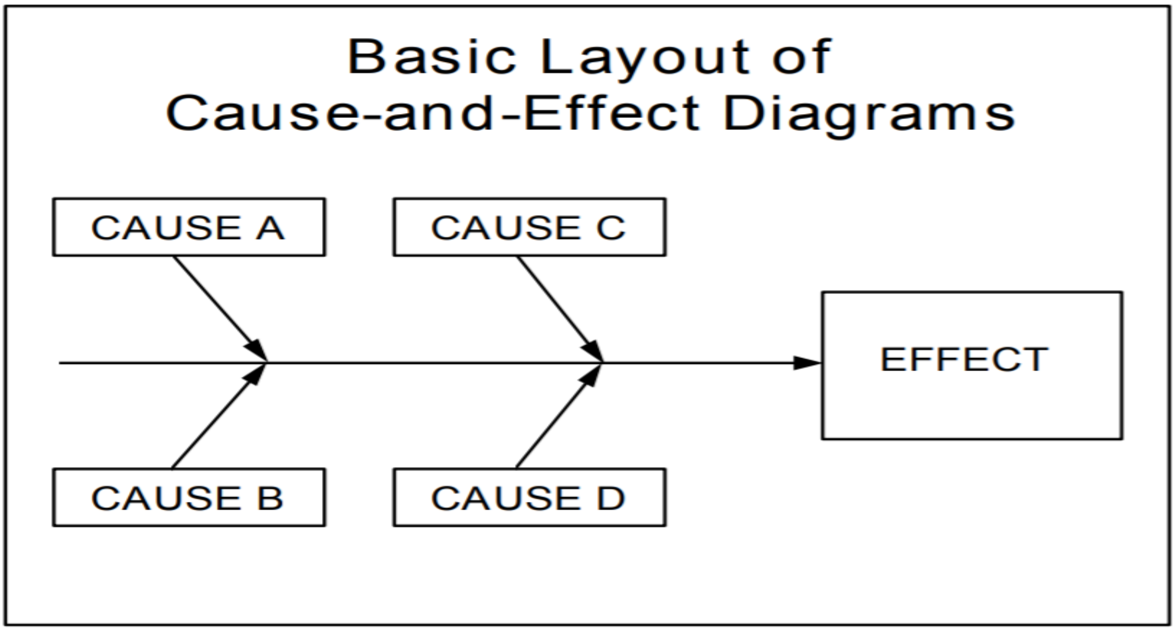
Workshops/Sessions
There are a number of models or tools that can be used to assist with the identification of risks, which can include:

- *Checklist Analysis*
  Use the list of strategic, operational and project risks listed in section 4 of the Strategy as a checklist. Use this as a starting point but tailor to the service, task or project being considered.
  After each task/project, conduct a post review where you capture the most significant risks. This list may be used for subsequent projects.

- *Brainstorming*
  Brainstorming is done with a group of people who focus on identification of risk for the task or project. This could include the use of an affinity diagram where each participants writes each risk on a sticky note. Then participants sort the risks into groups or categories. Lastly, each group is given a title. The output from the session is then fed into the Risk Assessment Process

- *Assumption Analysis*
  The Project Management Body of Knowledge (PMBOK) defines an assumption as “factors that are considered to be true, real, or certain without proof or demonstration.” Assumptions are sources of risks. Project managers should ask stakeholders, “What assumptions do you have concerning this project?” Furthermore, document these assumptions and associated risks.

- *Cause and Effect Diagrams (Root Cause Analysis)*
  This simple method can be used to help identify potential problems or causes that give rise to risks and the effect they may have. If we address the causes, we can reduce or eliminate the risks.



- *Nominal Group Technique (NGT)*
  NGT is a structured variation of a small-group discussion to reach consensus. NGT gathers information by asking individuals to respond to questions posed by a moderator, and then asking participants to prioritize the ideas or suggestions of all group members.

  Step 1: Preparation – logistics and focus
  Step 2: Silent idea generation
  Step 3: Round-robin recording of ideas
  Step 4: Serial discussion of ideas
  Step 5: Preliminary voting
  Step 6: Discussion of preliminary voting
  Step 7: Final voting

- *Delphi Technique*
  The Delphi Technique is a method used to estimate the likelihood and outcome of future events. A group of individuals exchange views, and each

independently gives estimates and assumptions to a facilitator who reviews the data and issues a summary report.

The group members discuss and review the summary report, and give updated forecasts to the facilitator, who again reviews the material and issues a second report. This process continues until all participants reach a consensus.

- *SWOT Analysis (Strength, Weakness, Opportunities And Threats)*
  Weaknesses and Threats are highlighted as risks and Strengths and Opportunities are identified as opportunities for the service, task or project and thus, risks are determined.

6.0 Risk Appetite Statement

6.1 This statement details the level of risk related to our corporate objectives and pledges that we are willing to accept within our capacity. We are a risk embracing Council which understands the importance of risk taking and accepts that there is an element of risk in most of the activities we undertake.

6.2 The level of risk we are willing to take is intrinsically linked to each of our Council priorities and, for this reason, it has been accepted that our risk appetite should not be highly prescriptive.

6.3 Our risk appetite should depend on which of our corporate objectives would be affected by the risk and the impact the risk would have on that objective should it materialise.

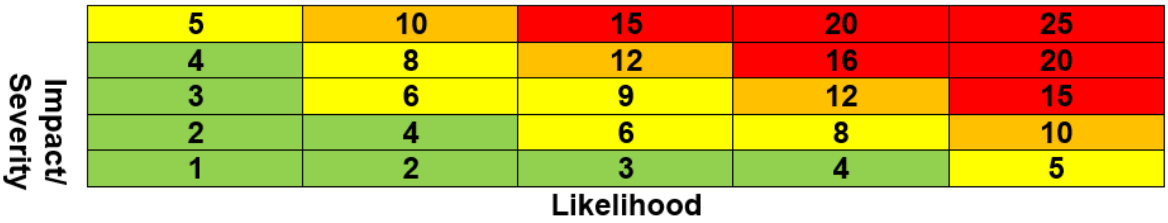
6.4 This flexible approach is seen as the best way to allow us to make informed decisions in respect of each risk situation.

6.5 To assist in the decision making process, and to help with prioritisation, we have agreed to apply a general level of risk retention (see below). However, this does not mean that in every case, risks falling below the line of retention require no action and vice versa.

Risk Retention Threshold

6.6 The following information details how we will apply our risk appetite in practice.

6.7 Below is the risk scoring matrix SWT will use to determine the risk score from strategic, operational and project risks once the Impact and Likelihood have been scored (covered in section 7 – Risk Management Process)



Impact/ Severity

5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10
1	2	3	4	5

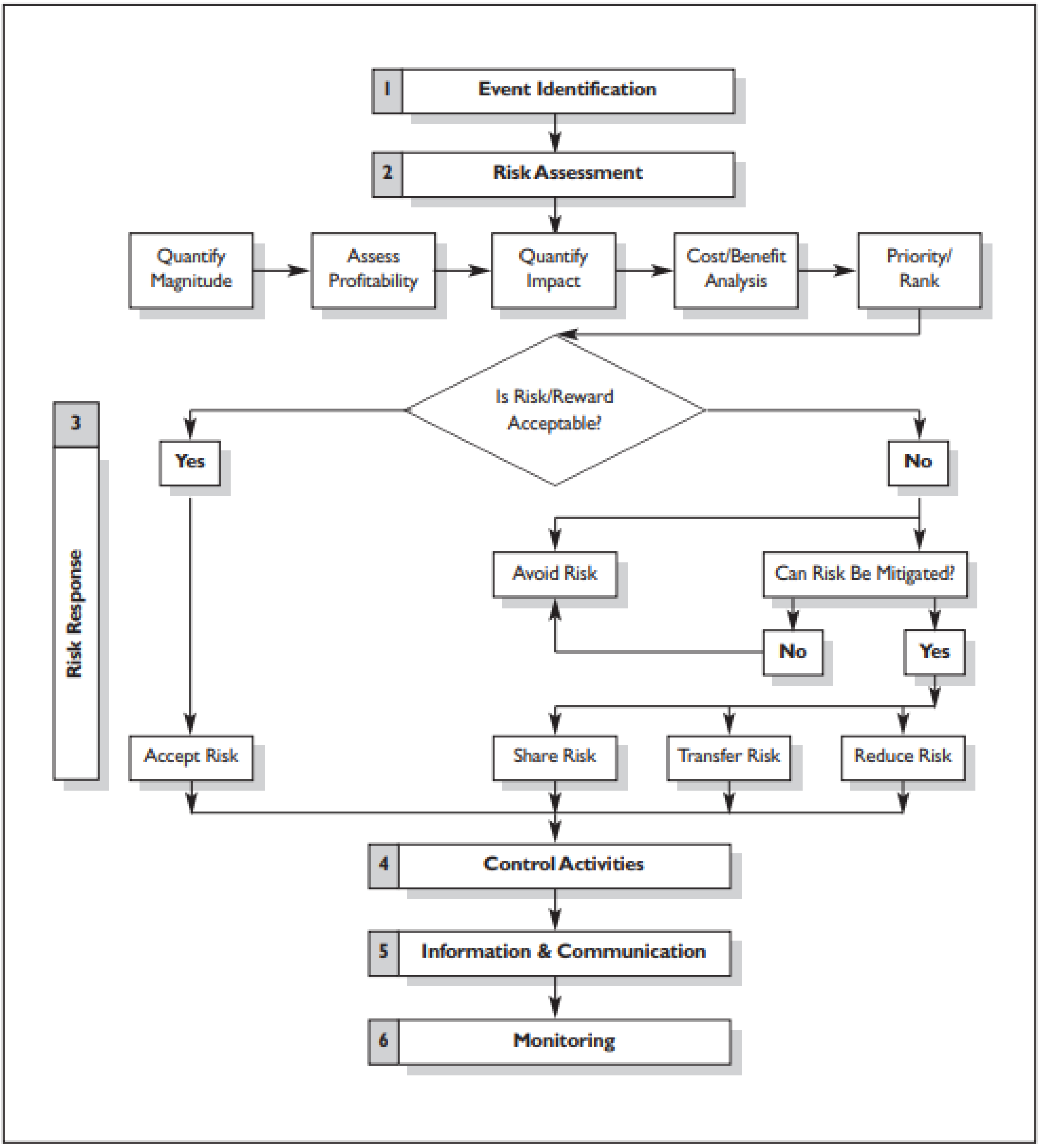
Likelihood

6.8 Identifying and ranking risks is important but the key element thereafter is to determine the strategy for managing them. The following table provides guidance on the level of management intervention that is likely to be necessary or appropriate.

Colour	**Score**	**Action**	**Risk Control**
Green	Low	Review periodically	Tolerate/Accept or Treat and Control
Yellow	Medium	Mitigate, Control and Review Frequently	Tolerate/Accept or Treat and Control
Amber	High	Seek cost effective management action, control, evaluation or improvements with continued proactive monitoring	Treat, Tolerate or Transfer
Red	Extreme (key business risks)	Significant management action, control, evaluation or improvements with continued proactive monitoring	All options can and should be considered

7.0 Risk Management Process

7.1 The 6-step process below will cover all areas of risk and opportunity management including making strategic decisions, managing strategic, operational and project risks and opportunities.


1 Event Identification
2 Risk Assessment
Quantify Magnitude
Assess Profitability
Quantify Impact
Cost/Benefit Analysis
Priority/ Rank
Is Risk/Reward Acceptable?
Yes
No
3 Risk Response
Avoid Risk
Can Risk Be Mitigated?
No
Yes
Accept Risk
Share Risk
Transfer Risk
Reduce Risk
4 Control Activities
5 Information & Communication
6 Monitoring

Step 1 – Event Identification Risks and Opportunities

7.2 This is the identification of risks and opportunities and these include strategic, operational and project risks (with examples given in section 4).

Step 2 – Risk Assessment

7.3 Once the risks and opportunities have been identified they then need to be assessed to consider the impact/severity and likelihood or any risks occurring and the potential benefits of any opportunities.

Risk Impact

7.4 The Risk Impact measures the severity of the impact should the risk be realised. The following guide is neither prescriptive nor exhaustive but should provide a framework for the range of impacts a risk could have and how to score such impacts.

Score of 1 - Very Low Impact
- Localised minor injury or health impact to one person (no time off work required)

Score of 2 – Low Impact
- Localised minor injury or health impact to one person (small time off work required e.g. less than 1 week)
- Small financial loss or service cost increase (less than £5,000)
- Some loss of confidence and trust in the Council felt by a certain group or within a small geographical area

Score of 3 – Medium Impact
- Minor injury or health impact to multiple persons (small time off work required e.g. less than 1 week)
- Injury or health impact to one person (substantial time off work required e.g. more than 1 week)
- Contract, resource, data or equipment failure resulting in short-term inability to maintain service
- Capacity of technology unable to meet changing demands of service needs
- Incorrect information being published / use of incorrect information in financial calculations, financial transactions are incorrectly processed resulting in incorrect payments
- Lax service delivery and/or inability to meet non-statutory service objectives / targets
- Financial loss or service cost increase (e.g. over £5,000)
- Theft of Council property, assets, resources (less than £5,000)
- General loss of confidence and trust in the Council within the local community

Score of 4 – High Impact
- Serious injury or health impact to one person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain service or short-term inability to maintain several services
- Localised damage to Council property / premises
- Localised environmental impact
- Breaches of, or damning external audit report for failure to comply with, legislation / accepted standards e.g. CIPFA, Data Protection, TUPE, Equality Act
- Substantial financial loss or service cost increase (e.g. over £50,000)
- Inability to meet Council objectives, customer requirements or financial commitments
- Inefficient use of resources, services offering poor value for money, officers at risk of false accusations of fraud, corruption or misappropriation
- Theft of Council property, assets, resources (e.g. over £5,000)

- Poor / incorrect political and managerial decision-making could take place
- Inability to account for all income received, expenditure made and other financial information
- Major loss of confidence and trust in the Council within the District

Score of 5 - Very High Impact

- Serious injury or health impact to several or death of a person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain several services
- Serious damage / destruction of Council property / premises
- Prosecution for failing to comply with / serious breach in, or non-application of legislation / accepted standards
- Serious, District-wide environmental impact
- Serious financial loss or service cost increase (e.g. over £100,000)
- Failure to deliver either local or central Government policy, statutory timescales are not met
- Theft of Council property, assets, resources (e.g. over £50,000)
- Failure of internal control systems, leading to the possibility of fraud, corruption, loss, extravagance, waste or embarrassment to the Council
- Disastrous loss of confidence and trust in the Council both locally and nationally

Likelihood Ratings

7.5 The likelihood rating needs to be based on existing precautionary measures in place, at the time of the Risk Assessment. When measuring the likelihood, we will consider the level of internal controls or mitigating actions in place as well as frequency of contact with hazardous situation. For example:

Score of 1 - Very Low Likelihood

- Substantive, effective, tested and verifiable internal controls / mitigating actions in place
- Previous experience at this and other similar organisations makes this outcome highly unlikely to occur

Score of 2 – Low Likelihood

- Effective internal controls / mitigating actions in place
- Previous experience discounts this risk as being likely to occur but other organisations have experienced problems in this area

Score of 3 – Medium Likelihood

- Some internal controls / mitigating actions in place, but in need of review / improvement
- Existing controls generally work but there have been occasions when they have failed and problems have arisen
- The Council has in the past experienced problems in this area but not in the last 12 months

Score of 4 – High Likelihood

- Poor or ineffective internal controls / mitigating actions in place, or existing controls are generally ignored
- The Council has experienced problems in this area within the last 12 months

Score of 5 - Very High Likelihood

- No internal controls / mitigating actions in place
- The Council is experiencing problems in this area or expects to within the next 12 months

7.6 Once analysed the risks need to be assessed and prioritised according to their Impact (severity) and likelihood using the 5x5 scoring matrix (see section 6.7 above). Risks then need to be ranked i.e. those scoring 25 will be at the top of the list and those scoring 1 will be at the bottom of the list. Risks scoring between 15 and 25 are classed as key business risks (red), as set out in the table in section 6.8, and will be reported to the Executive and Scrutiny Committee on a quarterly basis.

7.7 The risks will then need to be considered in conjunction with any opportunities when making decisions.

Benefits of Opportunities

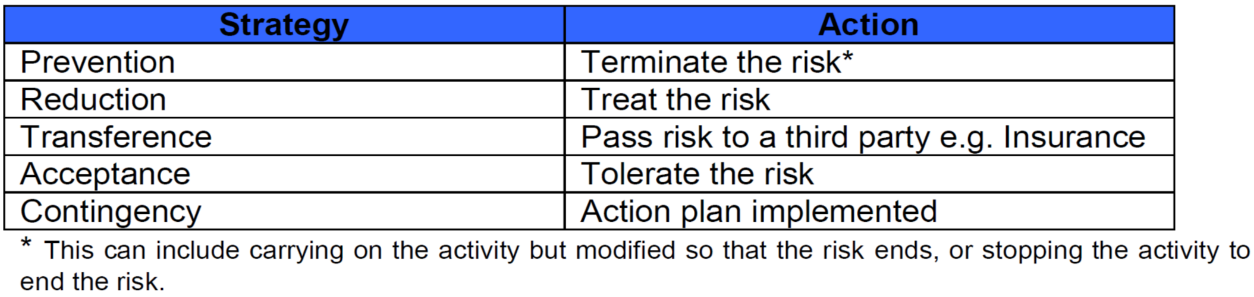
7.8 The assessment methods for determining the potential benefits of opportunities can include:

- Assessing the increased income/reduced expenditure from the innovation
- Quantifying the number of potential new customers
- Calculating the potential sales growth that could stem from capturing the opportunity
- Calculating the return on investment for a particular project and whether that is the level of return that the Council is looking for
- Considering the value added as a result of capitalising on the innovation e.g. the benefit to the community

Step 3 – Risk Response

7.9 This involves taking action to minimise the likelihood of a risk occurring and/or reducing the severity of the consequences should the risk occur. Actions need to be allocated to responsible officers along with a realistic target date for implementation.

7.10 Determine the best course of action for the Council. There are 5 key action strategies to managing risk:



Strategy	Action
Prevention	Terminate the risk*
Reduction	Treat the risk
Transference	Pass risk to a third party e.g. Insurance
Acceptance	Tolerate the risk
Contingency	Action plan implemented

* This can include carrying on the activity but modified so that the risk ends, or stopping the activity to end the risk.

Step 4 – Control Activities

7.11 Risk and Opportunity Management is dynamic and so the identification phase needs to be done continuously. It is also important to consider whether the nature of the risk or opportunity has changed over time – thereby completing the cycle.

Step 5 – Information and Communication

7.12 For the benefits of Risk and Opportunity Management to be realised, it is necessary for the process to be embedded in the culture and operations of the organisation.

7.13 Once the Strategy has been agreed it will be communicated to officers and Members.

7.14 Risk Management Training will also be provided to appropriate officers to ensure that they have the tools to enable them to identify risks using the techniques set out in Section 5.

7.15 The Director of Internal Operations (or her nominated deputy) will regularly raise awareness of Risk and Opportunity Management through the Officer and Member communications and through briefing sessions.

Step 6 - Monitoring

7.16 Progress in managing risks and opportunities will be monitored and reported so that losses are minimised and intended actions and opportunities are achieved.

7.17 Risk and Opportunity Management is an on-going process that should be constantly revisited and reviewed to ensure that new and emerging risks and opportunities are picked up and acted upon.

7.18 This Strategy will be reviewed and updated on an annual basis.

Somerset West and Taunton Council

Audit and Governance Committee – 22 March 2022

Fraud Update

This matter is the responsibility of Executive Councillor Member for Corporate Resources, Cllr Ross Henley

Report Author: Amy Tregellas, Governance Manager

1 Executive Summary / Purpose of the Report

1.1 To present the Committee with an update on progress following the SWAP baseline maturity assessment in relation to Fraud which came before the Committee in September 2021.

2 Recommendations

2.1 The Committee note the Fraud Update.

3 Risk Assessment

3.1 Failure to have a robust Anti-Fraud framework in place to reduce the risk of fraud and corruption could result in the Council suffering financial loss, impacting on the services delivered by the Council and ultimately its reputation.

4 Background and Full details of the Report

4.1 The SWAP Internal Audit – baseline assessment of maturity in relation to fraud dated March 2021, was presented to the Committee in September 2021 (attached as Appendix A). The purpose of this report is to provide an update on actions that have been taken since September 2021, particularly in relation to the Action Plan listed as Appendix 2 in the SWAP report.

4.2 The action plan update is, as follows:

Action	**Priority**	**Update**
Present the baseline assessment of maturity in relation to fraud to key stakeholders and assign responsibility for management of actions	Now	The report was presented to the SMT and then the Audit & Governance Committee in September 2021. This has been published on the Council website along with the Anti-Fraud policies. Monitoring of actions assigned to the Governance Manager and Monitoring Officer.

Action	Priority	Update
Present to the Audit & Governance Committee an annual report which assesses the effectiveness of fraud prevention and detection	Now	A report was brought to the Audit, Governance and Standards Committee on 12 April 2021, which included an update on the provision of Counter Fraud and Error Services from Powys. The Governance Manager and Monitoring Officer is working with colleagues from SWAP to ensure that the report reviewing the 2021/22 financial year covers what they are looking for. This will come to the Audit & Governance Committee on 13 June 2022
Present to the Audit & Governance Committee an annual fraud plan for agreement	Now	The Governance Manager and Monitoring Officer is working with colleagues from SWAP to design an appropriate annual fraud plan for 2022/23 and this will come forward to the Audit & Governance Committee meeting on 13 June 2022.
Present to the Audit & Governance Committee reviewed Anti-Fraud and Corruption Policy/Strategy	Now	Complete - The Anti-Fraud and Corruption Strategy was reviewed by the Audit, Governance & Standards Committee on 12 April 2021 and then approved by the Executive on 27 April 2021.
Present to the Audit & Governance Committee reviewed whistleblowing policy	Now	Complete - The Whistleblowing Policy was reviewed by the Audit, Governance & Standards Committee on 12 April 2021 and then approved by the Executive on 27 April 2021.
Present to the Audit & Governance Committee reviewed Anti-Bribery Policy	Now	Complete - The Anti-Bribery Policy was reviewed by the Audit, Governance & Standards Committee on 12 April 2021 and then approved by the Executive on 27 April 2021.

Action	**Priority**	**Update**
Present to the Audit & Governance Committee reviewed Anti-Money Laundering Policy	Now	Complete - The Anti-Money Laundering Policy was reviewed by the Audit, Governance & Standards Committee on 12 April 2021 and then approved by the Executive on 27 April 2021.
Complete risk assessment process with SWAP and assign responsibility for ongoing management of the process	Immediate Future	Responsibility assigned to the Governance Manager and Monitoring Officer and she is working with colleagues from SWAP on the risk assessment. Meetings are quarterly to pick up any new or emerging risks.
Publish the following and make available to key stakeholders: The approved: 1. Anti-Fraud and Corruption Strategy 2. Whistleblowing Policy 3. Anti-Bribery Policy 4. Anti-Money Laundering Policy	Immediate Future	Completed – the approved policies have been published on the website
Ensure contractors sign up to the Council's Whistleblowing Policy	Immediate future	Governance Manager and Monitoring Officer liaising with colleagues to ensure that any agency staff and contractors are signposted to the Policy.
Agree and implement a training plan for staff and Members in relation to fraud and ethics	Shorter-Term	Staff have been asked to complete the e-learning modules of Fraud Prevention, Anti-Fraud Policy and Whistleblowing by 31 August 2022. The Governance Manager and Monitoring Officer is liaising with SWAP to plan in a training session for Members.

Action	Priority	Update
Ensure that fraud and corruption risk is referenced in the Risk and Opportunity Management Strategy and the strategic risk register	Shorter-Term	The Risk and Opportunity Management Strategy for 2022/23 has been amended to include reference to Fraud and Corruption risks and is going before the Audit & Governance Committee for approval on 22 March 2022.
Consider fraud risk in the Directorate Risk Registers	Medium-Term	SWAP carried out a fraud risk assessment and this is now being reviewed by the Governance Manager and Monitoring Officer. This action is to be fed into the transition work for the Unitary Council
Update staff and Member code of conduct documents to direct fraud reference	Medium-Term	The LGR Governance workstream have drafted the Code of Conduct for the Unitary Authority. They are recommending that all 5 Councils adopt it by end September 2022. This will go to Standards Committee and then on to Full Council for approval.
Ensure relevant strategies and policies are subject to ongoing scrutiny and review by trained counter-fraud resource	Longer-Term	This action is to be fed into the transition work for the Unitary Council

5 Links to Corporate Strategy

5.1 Having an effective Anti-Fraud framework in place is crucial for identifying risks associated with fraud and corruption and ensuring that the delivery of the Council's Corporate Strategy is not impacted. It also forms a fundamental element of being a well-managed Council.

6 Finance / Resource Implications

6.1 Failure to mitigate fraud and corruption risks could result in financial loss to the Council.

7 Legal Implications

7.1 Failure to mitigate fraud and corruption risks could result in a number of legal implications for the Council

8 Climate and Sustainability Implications

8.1 None arising from this report

9 Safeguarding and/or Community Safety Implications

9.1 None arising from this report

10 Equality and Diversity Implications

10.1 None arising from this report

11 Social Value Implications

11.1 None arising from this report

12 Partnership Implications

12.1 None arising from this report

13 Health and Wellbeing Implications

13.1 None arising from this report

14 Asset Management Implications

14.1 None arising from this report

15 Data Protection Implications

15.1 None arising from this report

16 Consultation Implications

16.1 None arising from this report

Democratic Path:

- **Audit and Governance Committee – Yes**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Annually

List of Appendices (delete if not applicable)

Appendix A	SWAP baseline fraud maturity in relation to Fraud

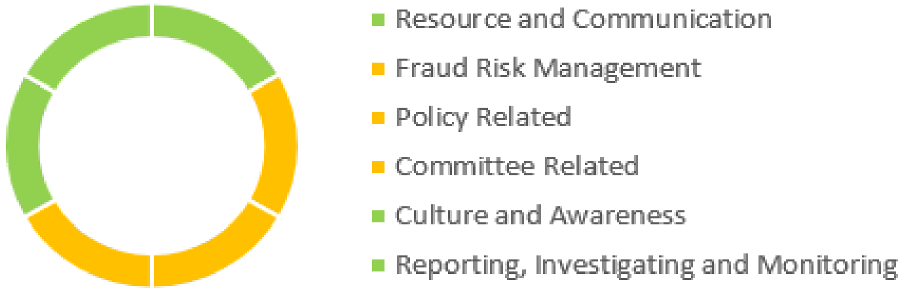
Contact Officers

Name	Amy Tregellas
Direct Dial	01823 785034
Email	a.tregellas@somersetwestandtaunton.gov.uk

Baseline Assessment of Maturity in relation to Fraud – March 2021

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Baseline Assessment of Six Themed Areas

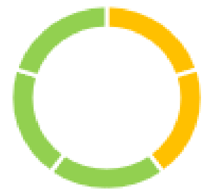


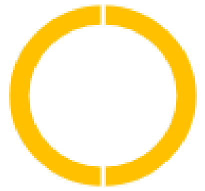
Scope and Ambition

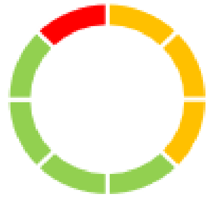
This baseline assessment is a corporate view of fraud maturity within the organisation. We recommend a revisit of the assessment in twelve months' time, with a view to an expected increase in the level of maturity. It is vital that management ensure the key findings from this work are considered and that they work with SWAP to reduce risk of fraud and to protect the public purse.

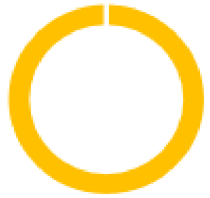
SWAP intends to share the results of this assessment across its wider partnership, to give opportunity for Councils to compare outcomes and where possible, share good practice. This exercise will anonymise the information from each Council.

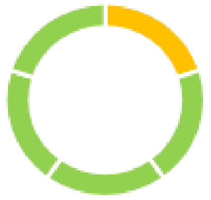
Assessments per Area Reviewed

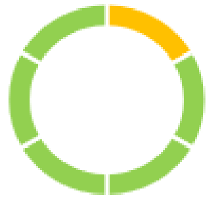

Resource and Communication


Fraud Risk Management


Policy Related


Committee Related

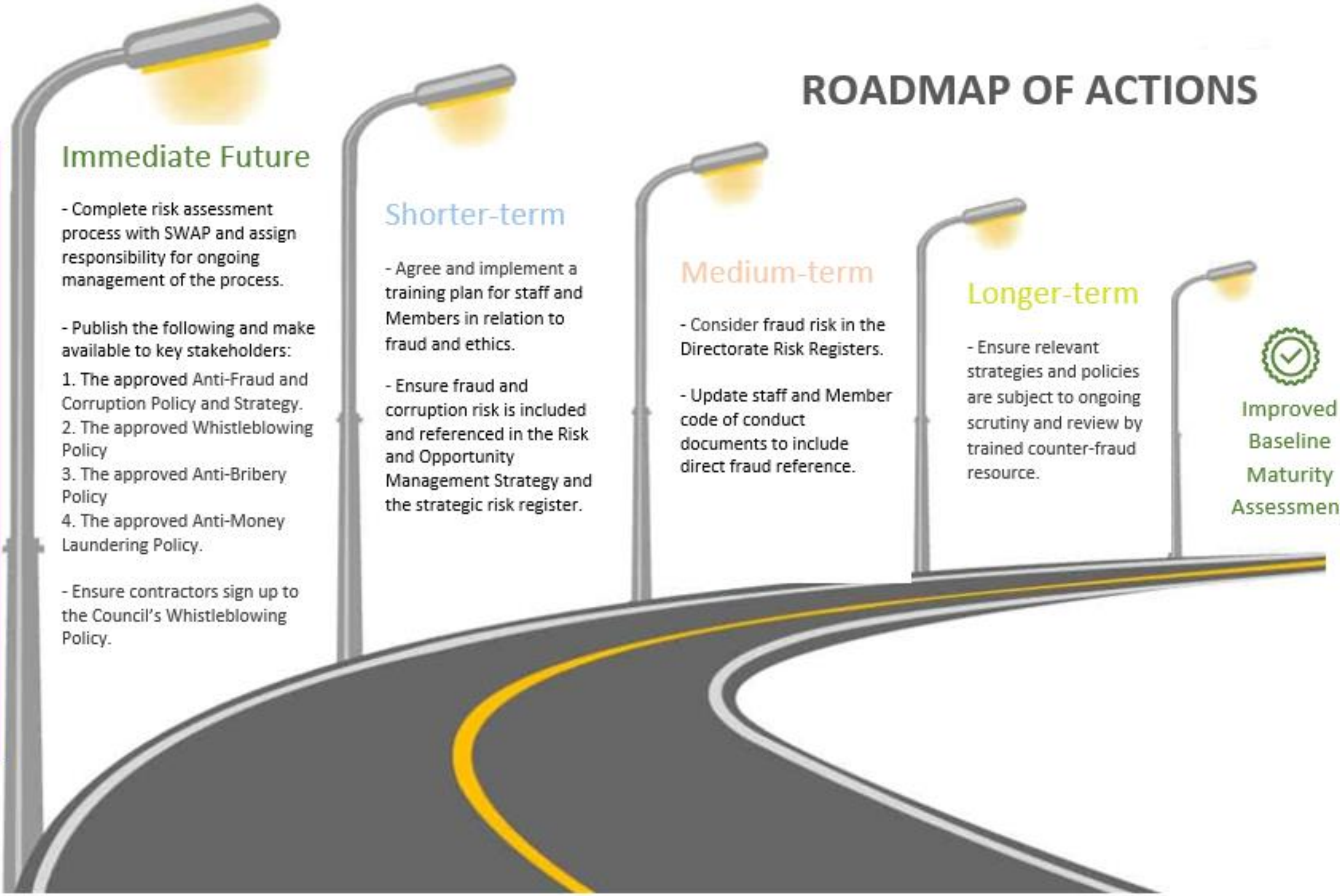

Culture and Awareness


Reporting, Investigating and Monitoring

🟥 Assessed not to be in place/ operating ineffectively – requires significant improvement.
🟨 Assessed to be partially in place – requires improvement.
🟩 Assessed as in place/ operating effectively.

Appendix 2 Action Plan

ROADMAP OF ACTIONS



Now as a **priority**

- Present this report to key stakeholders and assign responsibility for management of actions.

- Ensure the following is presented to the Audit, Governance and Standards Committee for review and approval:

1. An annual report which assesses the effectiveness of fraud prevention and detection.
2. Agreement of an annual fraud plan for 2021-22.
3. Reviewed Anti-Fraud and Corruption Policy and Strategy.
4. Reviewed Whistleblowing Policy
5. Reviewed Anti-Bribery Policy
6. Reviewed Anti-Money Laundering Policy

Immediate Future

- Complete risk assessment process with SWAP and assign responsibility for ongoing management of the process.

- Publish the following and make available to key stakeholders:

1. The approved Anti-Fraud and Corruption Policy and Strategy.
2. The approved Whistleblowing Policy
3. The approved Anti-Bribery Policy
4. The approved Anti-Money Laundering Policy.

- Ensure contractors sign up to the Council's Whistleblowing Policy.

Shorter-term

- Agree and implement a training plan for staff and Members in relation to fraud and ethics.

- Ensure fraud and corruption risk is included and referenced in the Risk and Opportunity Management Strategy and the strategic risk register.

Medium-term

- Consider fraud risk in the Directorate Risk Registers.

- Update staff and Member code of conduct documents to include direct fraud reference.

Longer-term

- Ensure relevant strategies and policies are subject to ongoing scrutiny and review by trained counter-fraud resource.

Improved
Baseline
Maturity
Assessment

SWAP
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

Cross-Partner Report

Baseline Assessment of maturity in relation to Fraud

April 2021

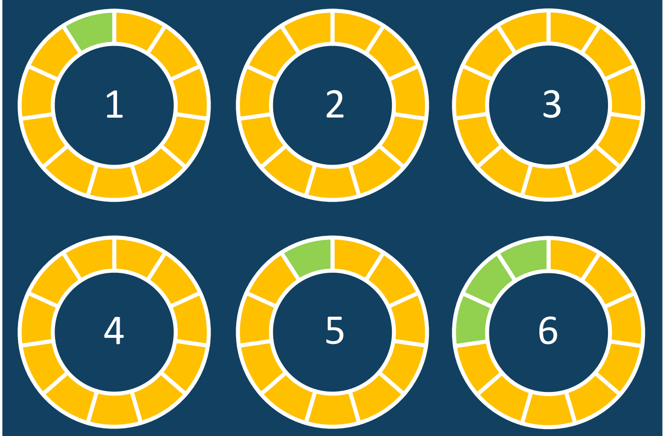
SWAP
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

THIS REPORT
SUMMARISES
ASSESSMENTS
COMPLETED AT

11 PARTNERS
across
7 COUNTIES

IN RELATION
TO COUNTER
FRAUD
MATURITY

Each Council overall assessment per theme:



1: Resource and Coordination
2. Risk Management
3. Policy related
4. Committee roles
5. Culture and Awareness
6. Reporting, Investigation and Monitoring

The common findings identified:

RISK ASSESSMENTS have not been completed to inform planning and fraud and corruption are not considered in the corporate risk management process.

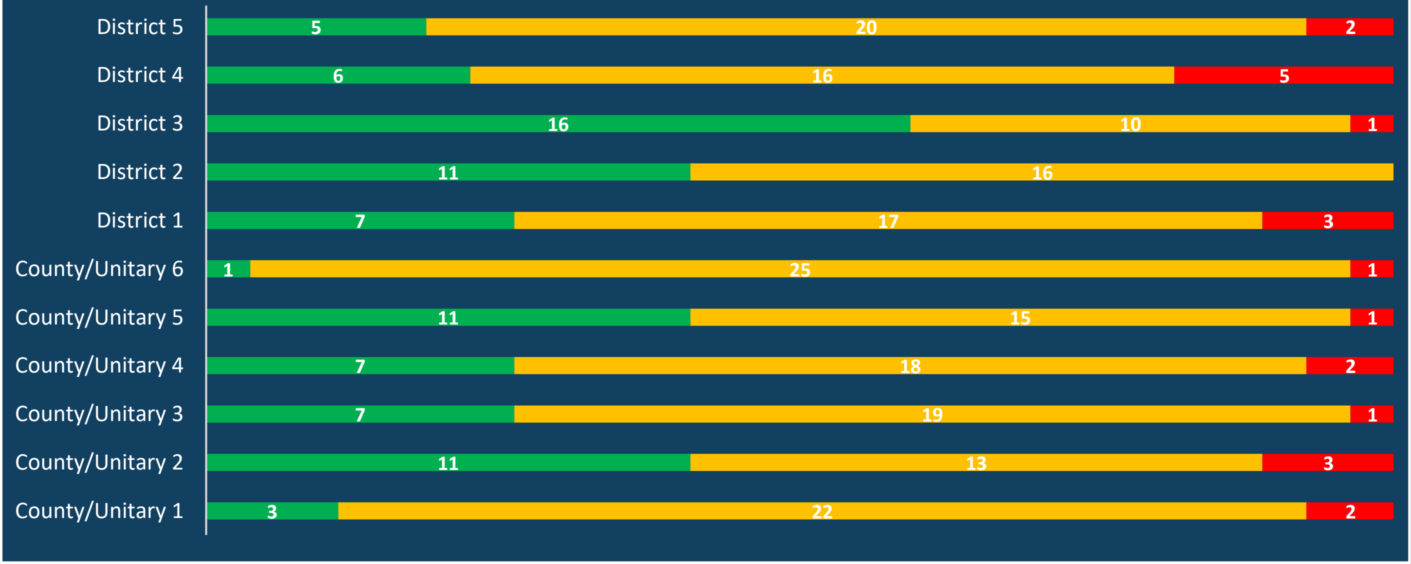
AUDIT COMMITTEE AND PORTFOLIO ROLES do not refer to any responsibilities in respect of fraud.

COUNTER-FRAUD ACTIVITY AND OUTCOMES are not recorded and reported to Members and senior management.

There is no PROGRAMME OF TRAINING for staff and members in relation to ethics and anti-fraud.

There is no LIVE COUNTER-FRAUD PLAN which aligns fraud risks to available and coordinated resources.

Total number of requirement assessment conclusions per Authority:



🟥 Assessed not to be in place/ operating ineffectively – requires significant improvement.
🟨 Assessed to be partially in place – requires improvement.
🟩 Assessed as in place/ operating effectively.

Foreword

"Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies, it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity."

As CEO of SWAP, I am pleased to see reports of this nature, which provide shared and prolonged benefit to several of our partners.

Following the approval of SWAP's Business Plan in November 2019, a fraud and investigations portfolio was created. We saw this as a real opportunity to provide a valuable difference to our Partners, many of which have little or no counter fraud resource available to them.

Our Counter Fraud and Investigations Team have been tasked with providing a proactive counter fraud service for our Partners, to compliment the historical reactive work offering.

This piece of work assesses each Partner against a reputable framework, the Fighting Fraud and Corruption Locally Strategy 2020 and gives partners a corporate view of maturity in relation to fraud risk.

The results of the assessments will be used together with more detailed service level risk assessments to underpin our proactive counter fraud work for 2021-22 and beyond.

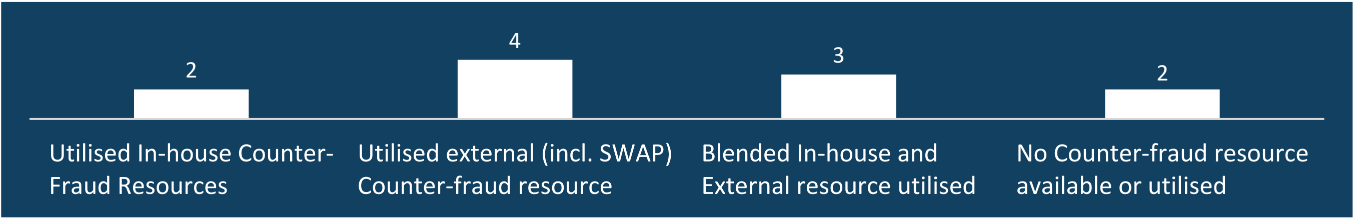
I wanted to also take this opportunity to promote the work of the Counter Fraud Team, which now gives our Partners direct access to a dedicated, trained, and professional counter fraud and investigation resource.

David Hill

CEO of SWAP Internal Audit Services

Key Findings: Resource and Communication

Despite a predominantly amber picture across this theme, there are differing approaches to resource and communication across the SWAP partnership. Some Councils have a designated and funded counter-fraud resource, including in-house and outsourced provisions, some have no counter fraud resource whatsoever. It is understood that many Councils have shuffled their resources in response to the pandemic, so the following graphic details the resource position across the eleven partners under their 'normal' operating ability:



Typically, **Councils are not aligning their fraud risks to available resources** and there is **a lack of reporting on detection and prevention measures to key stakeholders**.

Partners can increase their maturity in this area by establishing what resource is available to them within the authority and via SWAP, as part of their internal audit services provision. This will allow Councils to properly develop and approve a fraud plan which focuses on delivery within the available resource. Proactive fraud work should also be considered as part of this planning, with a focus on the prevention of fraud.

We would urge Councils to **revisit this area during the ongoing pandemic**, when resources across the authorities are more thinly spread to allow for a prioritised response to the crisis. There is direct fraud risk exposure linked to the re-deployment of staff and the extra pressure they are under, which is often enhanced by internal controls being misunderstood, suspended, or relaxed. The ongoing pandemic increases the opportunity and rationalisation for fraudulent activity for many.

The examples of good practice in this theme, mostly came from authorities that had a dedicated counter-fraud resource. These authorities had a choice of counter-fraud experts which enabled them to select the best option for each investigation.

We also highlighted at these authorities that the scope and capacity of the counter-fraud resource is understood and agreed and that there is a blend of reactive and proactive activity that is reported to key stakeholders. Furthermore, these counter-fraud resources are actively working work with colleagues across the sector and with enforcement agencies to reduce the risk and impact of fraud and corruption.

"Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses."

Fighting Fraud and Corruption Locally Strategy 2020

"Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant."

Fighting Fraud and Corruption Locally Strategy 2020

Key Findings: Risk Management

An amber wheel indicates that every authority included within the exercise was assessed similarly. We have found that most **Councils have not performed a full assessment of fraud risks** and this links into the resources section above on page 4. For many Partners there is an acknowledgement that fraud risks are assessed as part of Internal and External audits and that there is some overlap with legislative and local requirements in this area.

A scan of the corporate risk registers across the SWAP Partners revealed that **less than a quarter of registers included any reference to fraud or corruption risks**.

Furthermore, the **corporate risk management guidance documents across the Councils were lacking any reference to fraud and corruption**.

Generally, **fraud and corruption risks are not considered** as part of service/ directorate level risk assessments.

What next?

Following on from this work, SWAP is facilitating the completion of a fraud risk assessment. Where Partners have an in-house Counter Fraud provision, we recommend that they lead on this work.

It is essential that the risk assessment is kept live, the process is owned by the Council and risks are reported to stakeholders**.**

The fraud risk assessment document will form the backbone of resource allocation for counter-fraud activity, including internal audit planning and assurance mapping.

At this stage Councils should be thinking about the resource internally to own and manage the fraud risk assessment. The SWAP Counter Fraud and in-house Counter Fraud Teams are on hand to facilitate this and should be actively involved in the process as a ‘critical friend’ and in relation to the changing risk landscape.

One Authority had fraud and corruption risk directly referenced in their corporate Risk Management Policy and had considered fraud risk as part of their strategic risk register, which was reviewed regularly by Members and senior management.

> *“Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.”*
>
> Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA)

> *“To avoid the risk that responsibility falls between managers, the organisation should have a clear fraud risk champion, who is known to all employees.”*
>
> Public Sector Fraud – Identifying the risk areas (Deloitte)

Key Findings: Policy Related

Councils generally have approved policies in place in relation to anti-fraud, whistleblowing, codes of conduct and registering interests. Many of those reviewed though, lack a fraud and corruption thread, had **fallen out of date** with for example, changes to key personnel and/ or were not available to stakeholders as required.

One area to pick out from this theme was the **lack of evidence to support that contractors and third parties are required to sign up to the Councils Whistleblowing Policy**. This is something that promotes good governance and a recent report from the Association for Certified Fraud Examiners (www.acfe.com/report-to-the-nations/2020) found that around a third of occupational fraud tips came from customers and vendors combined.

Most staff and Member code of conducts did reference the behaviours expected in order not to commit fraud; however, these **did not typically give explicit reference to fraud, anti-bribery, and corruption**.

We found a variety of approaches to anti-fraud policy and strategy, some had incorporated both into the same document, some had standalone documents. To assist with this area, we have noted the following components for inclusion in an effective policy and strategy:

- Actions that are deemed to be fraudulent, including definition.
- Allocation of responsibilities for the overall management of fraud.
- A statement that all appropriate measures to deter fraud will be taken.
- The Council has a zero-tolerance to fraud.
- The formal procedures which employees should follow if a fraud is suspected and a Fraud Response Plan.
- Notification that all instances of suspected fraud will be investigated and reported to the appropriate authorities.
- A statement that fraudsters will be prosecuted and that the Police will be assisting in investigations as required.
- A statement that all efforts will be made to recover wrongfully obtained assets from fraudsters.
- Encouragement to employees to report any suspicion of fraud.
- Explicit links to other key policies, including whistleblowing and code of conducts.
- Prosecution, Sanctions and Redress Protocol.
- How success will be measured, how the strategy will be delivered and the timescales and responsibility for this.
- How and what training will be provided to key stakeholders.
- The steps to be taken in the event a fraud is discovered and who is responsible for taking any action.
- Consistent with the Fighting Fraud & Corruption Locally 2020 Strategy: Govern, Acknowledge, Prevent, Pursue, Protect.

+ One Authority presents regular reports to their Audit Committee to demonstrate how well the policies around the code of conduct, for example declaration of personal interests, are being adhered to. This allows Members to monitor the take up of policies and spot any declining trends.

+ Some authorities had bought in Counter-Fraud resource to proof-read key policies, and this was replicated at service level, in relation to areas where fraud presents an inherently high risk.

> *"The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud."*
>
> Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA)

Key Findings: Committee Roles

Councils typically have **no assigned Member representative for fraud** and there is **a lack of counter-fraud activity reported to Audit Committees**, or equivalent. This means that Councils are unable to demonstrate appropriate oversight, awareness, and support for counter-fraud activity.

We have found at several Councils that Committee responsibilities state that the Audit Committee should take an “active role in the prevention and deterrence of fraud”, and that anti-fraud policies and strategies are taken to Members for approval. However, **little, or no ongoing information is reported to Members** and therefore the effectiveness their role in relation to prevention and deterrence cannot be substantiated.

SWAP has an important role to play here, and this is recognised by recommendation at every Council that the results of the Baseline Assessment be taken to the Audit Committee. Committees need to ensure that the responsibility for managing the actions from the baseline assessment is assigned.

This should be the start of an ongoing relationship between Members and Counter-Fraud related activity.

We also found that there is a real **lack of regular training for Members**, meaning they are less effective in challenging counter-fraud activity. We would recommend that Councils look at specialist Member training and awareness sessions. A standard level of training should be applied to all Members, with more specific in-depth training given to those Members with agreed responsibility for counter-fraud.

Some examples were found where counter-fraud activity is shared with Members, including proactive and reactive works. Other examples were found in relation to Audit Committees having recorded responsibility in relation to oversight of counter fraud activity.

> *“Councillors should have and maintain an understanding of fraud risks and consider fraud in relation to the decision-making process.”*
>
> A Councillor’s Workbook on Bribery and Fraud Prevention (LGA)

Key Findings: Culture and Awareness

This area has found that there is a **lack of training provided to employees** and that where some level of training is provided, this does not link to any assessment of risk. Again, we would urge Councils to **make this a priority** due to the direct fraud risk exposure linked to the re-deployment of staff and the increased opportunity and rationalisation for fraudulent activity. There are things that Councils can do to compliment effective training, such as sharing of relevant awareness materials and case studies where fraud or corruption has occurred.

We also found that there is generally a **real reluctance to publicise successful outcomes relating to cases of fraudulent activity** at Councils, even where there is a statement in the Council's policy which states this will happen. Publishing successful outcomes is a proven deterrent for fraud and corruption and helps to enforce a strong tone throughout the organisation.

Some Councils had **no vetting process** in respect of fraud risk for new employees. This is mightily important as the insider threat continues to be prevalent in the workplace. Councils should take a risk-based approach to this and consider here the use of specific vetting services and include the vetting of existing employees.

⊕ Some Councils were publishing internal fraud alerts to staff and one Council has been sharing its fraud alerts externally via social media. This helps in promoting good culture and awareness to stakeholders and acts as a deterrent for committing fraud.

⊕ There is a general feeling that Council staff are becoming more aware of fraud risk, as a result of the pandemic and the administering of Covid grants. We have seen examples of fraud risk training being provided to staff who are responsible for processing and checking of grant claims.

⊕ Several authorities were able to demonstrate that key staff were kept up to date with fraud trends via professional bodies, newsletters, and networking groups.

> *"The foundation to anyone countering the threat and risk of fraud, in any context, is the development of a strong counter fraud culture."*
>
> A Guide to Managing Fraud for Public Bodies (International Public Sector Fraud Forum)

> *"Publicise your success, sharing the outcome of a successful investigation or how an anti-fraud measure has worked is a positive way to advertise the message that fraud doesn't pay."*
>
> A councillor's workbook on bribery and fraud prevention (local.gov.uk)

Key Findings: Reporting, Investigating, Monitoring

The most common findings in relation to this theme were that Councils had **no mechanism for recording or reporting on fraudulent activity**. Statistics should be maintained which will allow appropriate scrutiny and monitoring by senior management and Members. We are referring here to the work completed outside of the National Fraud Initiative programme, which by its nature captures and records positive matches for Councils to investigate.

Many Councils had **no process for risk assessing allegations** of fraud and corruption and were typically looking at ‘everything’ or ‘nothing’. This area overlaps with theme 1 on resources and theme 2 on risk management. Councils need a process for risk assessing allegations to ensure they are targeting resource to the correct places in line with a risk approach.

Councils mostly had **response plans in place for fraud and corruption**, although it was commonly identified that some had **no reference to sanctions and redress**.

Data analytics is one area that Councils can use to their advantage in the fight against fraud. There is **little evidence that data analytics is being widely used** across our Partners in this manner, although some have recently joined Cifas and are awaiting the benefits of this. Others **have used data sporadically to review specific areas**, for example discount award and in relation to Covid grants.

⊕ There were some good examples of Councils with dedicated whistleblowing lines, with optional anonymisation. These were linked into key policies and available to stakeholders internally and externally.

⊕ Some Councils had developed proactive data analytical reviews and were making use of national and internal databases to assist in the prevention and detection of fraud, such as Cifas.

⊕ Some excellent Fraud Response Plans were provided during this review, which had been approved by senior management and Members. These included prevention, detection, investigation, sanctions, and redress.

⊕ Where authorities have utilised their designated resource, fraud incidents were investigated promptly with unfettered access to documentation.

?

Did you know that SWAP has a confidential reporting hotline?

Call 020 8142 8462 or email confidential@swapaudit.co.uk

Ambition and Journey

The objective for us and all our Partners should be to reduce the risk of fraud and corruption and to protect the public purse. We appreciate that each Partner has differing available resources and a differing risk appetite. We also have Partners with their own in-house dedicated Counter Fraud Team. We understand our Partners and aim to provide support to them in line with these factors.

Each Partner included in this report has recently received an individual report for their organisation, including an appendix of findings against the 27 requirements and a roadmap of actions to improve the assessment.

Please do not hesitate to contact us, should you require more information about any of the areas in the report, or if you feel you would benefit from further discussion or indeed a deeper dive into some of the areas covered above.

We intend to revisit the baseline assessments in twelve months’ time and would expect to see an improving picture of maturity across the Partnership. Our role is to support our partners on the journey to improvement.

Following the baseline assessment, our Counter Fraud and Investigations Team are facilitating the completion of service-level risk assessments, against areas known to carry significant inherent risk of fraud. This will provide each partner with a live view of fraud risk and in conjunction with the baseline assessment, enabling resources to be better aligned to prevent and detect fraud.

The SWAP Counter Fraud and Investigations Team will also be producing annual reports for relevant Partners in relation to counter fraud activity from 2021-22 onwards. This will include progress on fraud risk maturity and any proactive and reactive works undertaken during the period.

To gain maximum benefit from our Counter Fraud services, it is essential that these reports are taken to the ‘top table’ for consideration and that a strong tone is set by senior management and Members at each organisation.

We look forward to your continued support in the future.

SWAP Counter Fraud and Investigations Team

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Appendix 1: The Twenty-Seven Assessment Requirements

Resource and Communication

- The organisation has internal audit and external audit planning aligned to fraud risks. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- The organisation has access to a trained counter fraud resource.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- There is a programme of counter fraud work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts. There is an annual fraud plan which is agreed by Audit Committee and reflects resources mapped to risks and arrangements for reporting outcomes.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

Culture and Awareness

- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The organisation educates and trains employees regarding the importance of ethics and anti-fraud programs and senior management exhibit and encourage ethical behaviour.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the relevant checks.
- The organisation routinely publicises successful cases of proven fraud and corruption to raise awareness, and this is endorsed by the communications/ media team.
- Relevant staff and members are up to date with latest anti-fraud practice and trends in fraud.

Reporting, Investigating and Monitoring

- Fraud incidents are promptly and thoroughly investigated by a designated and qualified resource, with unfettered access to premises and documents for the purposes of counter fraud investigation.
- All allegations of fraud and corruption are risk assessed.
- Prevention measures and projects are undertaken using data analytics where possible and sharing of data across internal departments and between other enforcement agencies.
- The organisation provides an anonymous way to report suspected violations of the ethics and anti-fraud programmes.
- Statistics are kept and reported which cover all areas of activity and outcomes. The number of investigations and outcomes are recorded.
- There is a fraud and corruption response plan which covers all areas of counter fraud work: – prevention – detection – investigation – sanctions – redress.

Fraud Risk Management

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members. Horizon scanning is completed to look for future fraud and corruption risks.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.

Committee Related

- The Audit Committees and Portfolio Lead roles in relation to fraud management are agreed and understood, including:
  - awareness and support counter fraud activity (including proactive and reactive) and receive training to support them
  - receiving of regular reports on the work of those leading on fraud
  - supporting counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.

Policy Related

- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
  - codes of conduct including behaviour for counter fraud, anti-bribery, and corruption
  - register of interests
  - register of gifts and hospitality.

  Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality, and business. This is checked independently.
- There are employee and member Code of Conducts in place, which include reference to fraud.
- The organisation has an appropriate and approved Anti-Fraud and Corruption Policy available to stakeholders.
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.

  Is there a zero-tolerance approach to fraud?
- The organisation has an appropriate and approved money laundering policy available to stakeholders.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this.

  There should be no discrimination against whistle-blowers.
- Counter fraud staff are consulted to fraudproof new policies, strategies, and initiatives across departments and this is reported upon to committee.