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**West Devon
Borough
Council**

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Date:

Dear Councillor

WEST DEVON AUDIT COMMITTEE - TUESDAY, 20TH JUNE, 2017

I refer to the agenda for the above meeting and attach papers in connection with the following item(s).

Agenda No Item

8. **Annual Governance Statement (Pages 1 - 26)**

Yours sincerely

Darryl White
Senior Specialist – Democratic Services

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Agenda Item 8

Report to: **Audit Committee**

Date: **20th June 2017**

Title: **Annual Governance Statement 2016-17**

Portfolio Area: **Support Services – Cllr C Edmonds**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Committee (Internal)**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Lisa Buckle** Role: **Finance Community of Practice Lead (S151 Officer)**

Contact: lisa.buckle@swdevon.gov.uk, **(01803) 861413**

Recommendations:

It is recommended that:

1. The processes adopted for the production of the 2016/17 Annual Governance Statement are noted
2. The adequacy and effectiveness of the system of internal audit is endorsed
3. Members consider the draft Annual Governance Statement (AGS) for 2016/17 and the supporting evidence provided by this report and that the AGS is approved prior to the signature by the Leader and Executive Director (Strategy & Commissioning).

1. Executive summary

- 1.1 The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement (AGS).
- 1.2 The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.

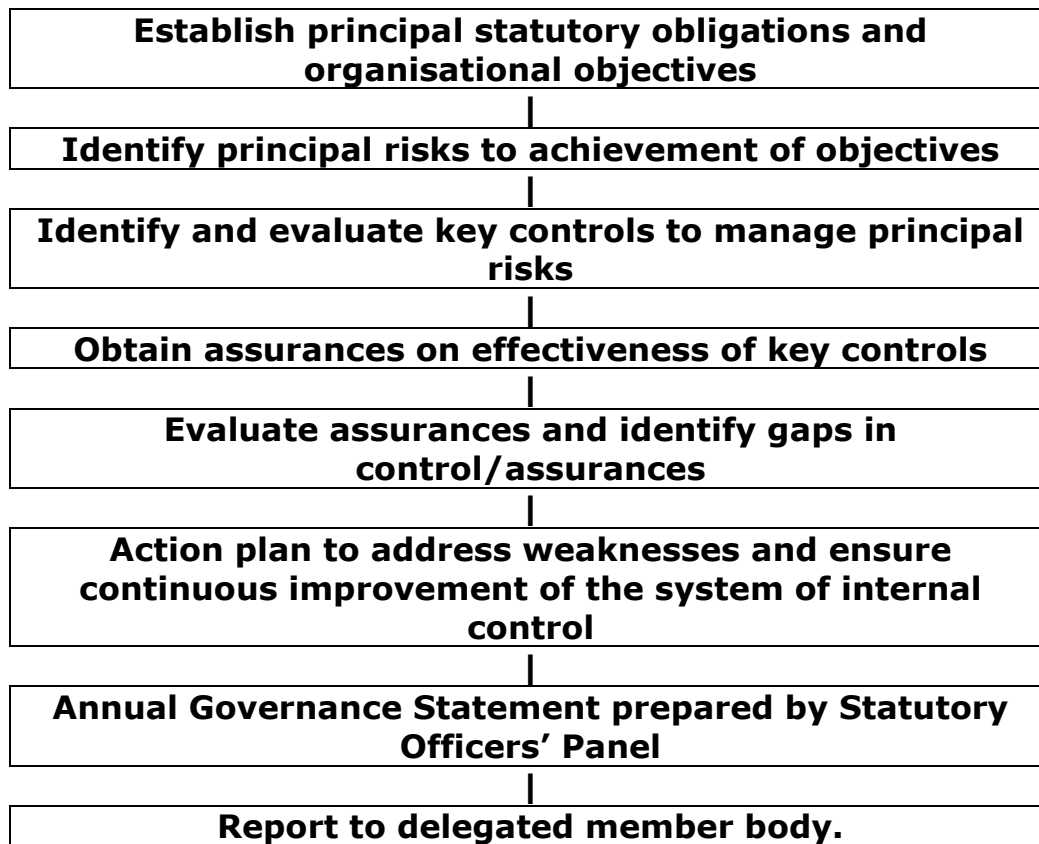
2. Background

- 2.1 The Accounts and Audit (Amendment) (England) Regulations 2006 also introduced a requirement to include an annual review of the effectiveness of the internal audit system.
- 2.2 The Code of Practice on Local Authority Accounting also requires that, within the AGS, there should be a statement on whether the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 2.3 Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

3. Outcomes/outputs

- 3.1 The purpose of the AGS process is to provide a continuous review of the effectiveness of an organisation's internal control and risk management, in order to give assurance as to their effectiveness and/or to produce a management action plan to address identified weaknesses in either process.

3.2 The diagram sets out the key stages for the review of governance internal control and the AGS assurance gathering process as follows:



4. Options available and consideration of risk

4.1 The purpose of the AGS is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified.

4.2 Continuous review of the effectiveness of the Council's internal audit system is conducted by the Audit Committee whose terms of reference include, specifically, inter alia:

- To agree the annual Internal Audit Plan
- To monitor the progress and performance of Internal Audit
- To consider the Head of the Devon Audit Partnership's annual report, and comment annually on the adequacy and effectiveness of internal control systems within the Council

5. Proposed Way Forward

5.1 The Annual Governance Statement (AGS) sets out any significant governance issues identified and progress made against these.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>The Accounts and Audit (England) Regulations 2015 requires all relevant bodies to prepare an Annual Governance Statement.</p> <p>There is also a requirement under the Accounts and Audit (Amendment) (England) Regulations 2006 for the AGS to include a review of the effectiveness of the internal audit system.</p> <p>The Audit Committee has delegated powers to approve the Annual Governance Statement on behalf of the Council.</p>
Financial		<p>There are no direct financial implications arising directly from this report.</p>
Risk		<p>The statutory responsibility to publish an Annual Governance Statement requires the Council to review its key risks, and to identify and publish the actions that it intends taking to improve or resolve those risks.</p> <p>These risks primarily relate to the achievement of the Council's core objectives and strategies and, therefore, the AGS provides an opportunity to formally review governance structures and processes that underpin their delivery.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity		There are no specific issues arising from this report.
Safeguarding		There are no specific issues arising from the report.
Community Safety, Crime and Disorder		There are no specific issues arising from the report.
Health, Safety and Wellbeing		There are no specific issues arising from the report.
Other implications		None identified.

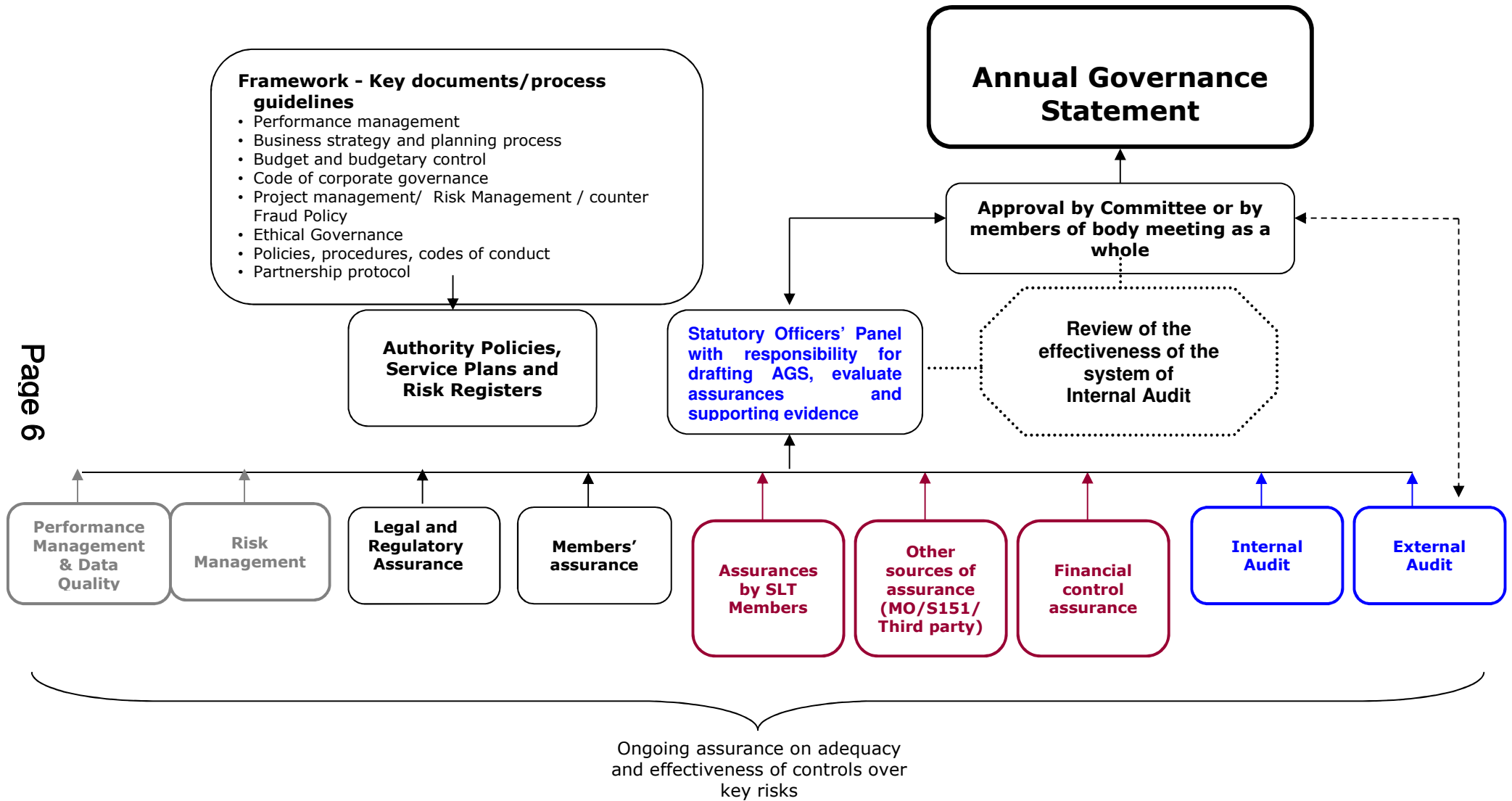
Supporting Information

Background Papers:

Annual Governance Statement 2016/17

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

ANNUAL GOVERNANCE STATEMENT FRAMEWORK



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**West Devon Borough Council
Annual Governance Statement
2016 – 2017**

1. Scope of Responsibility

West Devon Borough Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, West Devon Borough Council is also responsible for ensuring that there is a sound system of governance (incorporating the system of internal control) and maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk. A Statutory Officers' Panel was set up in 2015-16 and a key role of this Panel is strategic risk management.

West Devon Borough Council and South Hams District Council have been shared services partners since 2007. As two of the very first Councils to share a Chief Executive in 2007, the Councils have been bold in challenging the traditional local government model and have always been at the forefront of radical change and innovation.

In early 2015 a completely new leadership team were appointed to lead the organisation through the transformation programme, become more customer-focused, save money, and explore ways of generating income for the Council. The Councils are now led by a small leadership team consisting of two Executive Directors and three Group Managers.

The role of the Senior Leadership Team (SLT) is to implement the plans and policies to support the strategic direction of the Council set by Members. The SLT are supported by an Extended Leadership Team (ELT). The ELT includes the principal people managers and professional lead officers in areas such as Housing, Planning, Environmental Health, Asset Management, and Support Services such as Finance, Legal, and Human Resources.

The Council's Community of Practice Lead for Finance is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

The S.151 Officer, who acts as the Chief Financial Officer (CFO), will have responsibility for the administration of the financial affairs of the Council; will contribute to the corporate management of the Council, in particular through the provision of professional financial advice; will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity, and budget and policy framework issues to all Members and will support and advise Members and officers in their respective roles; and, will provide financial information to the media, Members of the public and the community. (Constitution Article 10)

The CFO leads the promotion of good financial management including through the provision and publication of Financial and Contract Procedure Rules. The Council's S.151 Officer is a qualified accountant.

A review of the Council's arrangements against the CIPFA guidance on the Role of the Chief Finance Officer in Local Government has concluded that the recommended criteria have been met in all areas.

2. The Purpose of the Governance Framework

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework was in place at West Devon Borough Council for the year ended 31 March 2017 and is expected to continue up to the date of approval of the Accounts by the Audit Committee.

The Chartered Institute of Public Finance and Accountancy (CIPFA) have identified six principles (key elements) of corporate governance that underpin the effective governance of all local authorities.

West Devon Borough Council has used these principles when assessing the adequacy of its governance arrangements. The main items that contribute to these key elements are listed below:

Core principle/key element 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- The Council's policies, aims and objectives are well established and monitored at various levels, for example forward plans, annual service planning process and personal development reviews
- The Council's adopted Priorities are confirmed in Article 6 of the Constitution and are published on the Council's website
- In March 2016 the Overview and Scrutiny (External) Committee considered *West Devon Our Plan*. The Council has made clear its vision to enhance the quality of life for West Devon individuals and communities and *West Devon Our Plan* is the comprehensive, overarching plan that delivers this vision.

West Devon Our Plan sets out the themes and objectives that underpin this vision and draws together the mechanisms at the Council's disposal to ensure delivery. This includes use of the Council's finances, staff, Members, assets, partnerships and development & legislative powers.

The Executive Summary of the March 2016 report stated:-
Members have previously agreed that *West Devon Our Plan* should take stock of the work to date and focus afresh on restating the vision and objectives alongside a prioritised delivery plan. Publication of a refreshed version of *Our Plan* builds on work undertaken previously. The proposed republication of *West Devon Our Plan* should also provide a context for the Local Plan and allow the statutory Local Plan element to be incorporated once its formal legal process is completed. The Council's work on the Joint Local Plan between Plymouth City, West Devon and South Hams is described further below.

The link to the full report on *Our Plan* is set out below:

<http://mg.swdevon.gov.uk/ieListDocuments.aspx?CId=223&MId=240&Ver=4>

The Our Plan Themes and Objectives are:-

Economy – Creating places for enterprise to thrive and business to grow
Homes – Enabling homes that meet the needs of all
Infrastructure – Securing the services and facilities that meet the needs of our communities
Communities – Empowering residents to create strong communities
Wellbeing – Supporting positive safe and healthy lifestyles
Environment – Protecting, conserving and enhancing our built and natural environment
Heritage – Celebrating our past and protecting our heritage for the future
Resources – Promoting energy efficiency and more effective use of our natural resources

Work has progressed to develop a Joint Local Plan between Plymouth City, West Devon and South Hams. Work on this Joint Plan is due to be submitted for examination by the Planning Inspectorate during the Summer of 2017; a key milestone for those wishing to progress their Neighbourhood Plans.

- All staff briefings undertaken by SLT articulate the vision and new ways of working;
- Regular consultation is undertaken on a range of issues;
- Effective budgetary monitoring takes place regularly and is reported quarterly to Members
- Cashable savings identified in the T18 programme have been realised;
- Performance management and reporting is embedded including quarterly reporting to the Overview and Scrutiny Committee (Internal).
- Scrutiny teams have delivered tangible outcomes as highlighted in their Annual Report

Core principle/key element 2: members and officers working together to achieve a common purpose with clearly defined functions and roles

- The Council's T18 programme clearly identifies its priorities, goals and promises statement which exemplifies its vision and values
- Performance measures are linked to drivers, goals and the service/Council priorities and these have continued through 2016/17.
- The Council uses a suite of performance indicators that includes measurement of the quality of service. A 'Balanced Scorecard' system of regular reporting of the key indicators to the Senior Leadership Team (SLT) and Members (Overview and Scrutiny Committee - Internal) is in place.
- The Council is also instigating a new suite of performance management dashboards, which will give Members and management access to near real-time information on demand and service levels.

- The Council publishes a Medium Term Financial Strategy (MTFS) each year, which covers a five year period. The MTFS for the period 2017/18–2021/22 was approved by the Hub Committee in September 2016 and has regard to the Priorities, business planning – pressures and savings
- There is a single organisation approach between Members and Officers
- The Council’s Constitution clearly states the roles and responsibilities of Members and Senior Officers
- Terms of reference for Committees and Member responsibilities are clearly defined
- Clear delegations and accountabilities are laid down in the Constitution
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Appropriate segregation of duties and management supervision
- There is an annual process to review and agree the Pay Policy Statement in accordance with the Localism Act Section 38.
- The role of the Chief Finance Officer (s151 Officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control.
- The role of the Monitoring Officer (MO), as documented in the Constitution, has responsibility for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.
- Compliance with Financial Procedure Rules and Contract Procedure Rules that are reviewed and approved by the Council.

There are no significant issues to bring to the attention of the Audit Committee for non compliance with Contract or Financial Procedure Rules.

12 applications for exemptions to Contract / Financial Procedure Rules were received in 2016/17, all were accepted (with articulated reasons).

Core principle/key element 3: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- Staff assessed against a set of key behaviours (known as ‘IMPACT’) to establish the right values and culture
- The Council’s whistle-blowing policy, known as the Confidential Reporting Policy, is available to all staff on the Council’s Intranet (including Frequently Asked Questions) and is also publicised internally on an occasional basis to maintain its profile. It was last reviewed and adopted in July 2016.
- The Council’s Constitution also defines the roles of Members and officers. Part 5 of the Constitution includes a Protocol on Councillor / Officer Relations. The Protocol is a guide to Members and Officers in their dealings with each other, and applies equally to co-opted Members of Council bodies in their dealings with officers where appropriate.

- There are codes of conduct in place for Members and Officers which include arrangements for registering of interests and managing conflicts of interest. This is being reviewed.
 - The Overview and Scrutiny Committee (Internal) is responsible for overseeing the Members' Code of Conduct and good governance by Members, and its terms of reference are set out in the Constitution
 - There is an effective Audit Committee in place with clear terms of reference.

Core principle/key element 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

In May 2015, the Borough Council elections were held and new Councillors elected for a four year term.

A new governance structure was piloted in 2015/16 and continued into 2016/17, whereby a single decision-making Committee (known as the 'Hub Committee') replaced the previous two Committee structure. In addition, the number of Overview and Scrutiny Committees was increased from one to two. The functions of these two Committees were based around one having an external focus and the other an internal focus. The new structure also made it a requirement for every Member of Council to serve on either the Hub Committee, or on one of the two Overview and Scrutiny Committees.

With the establishment of the Hub Committee in 2015/16, Members were allocated portfolio areas of responsibility for the first time and were expected to present reports from their respective areas to Committee meetings.

As a part of the pilot, its effectiveness was reviewed in early 2016 and, whilst there were some minor improvements agreed, the underlying principles of the new structure were felt to have been a great improvement and the Council therefore agreed that they should be retained.

For 2017/18 onwards, the Council has also decided to revert to a single Overview and Scrutiny Committee.

- Members on the Overview and Scrutiny Committee (Internal and External) receive training on effective scrutiny practices
- Decisions taken are formally minuted
- Committee Members are aligned to service areas and regularly communicate with and provide strategic direction to the relevant SLT lead
- The formal management of risk is in place and subject to monitoring by the Senior Leadership Team and reporting to the Audit Committee.

- A Statutory Officers' Panel which meets quarterly has been set up comprising of the Head of Paid Service, Chief Finance Officer and the Monitoring Officer with other key officers invited as appropriate. This Panel amalgamates the former Probity Group, Risk Management Group and Governance Group, and its key roles are to ensure that the Councils comply with, and manage:

Governance frameworks
Strategic risk management, and
Regulatory framework

The Statutory Officers' Panel has important links with the Audit Committee and the Overview & Scrutiny Committee. It has a rolling programme of works which are set out in a Forward Plan.

- A separate risk register is maintained for the T18 Transformation Programme.
- Active health and safety arrangements, including a robust policy, reviewed and approved by members, regular consideration of issues at SLT.
- Continuous managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Quarterly budget monitoring reports are presented to the Hub Committee.
- Formal budgetary monitoring reports on T18 are reviewed as part of the T18 programme and are reported to the Hub Committee
- Active performance management arrangements
- A robust complaints/ compliments procedure is in place and is widely publicised, with the Ombudsman's Annual Report being reported to the Overview and Scrutiny Committee
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's priorities and community plan themes, and address as appropriate any financial, staffing, risk, legal and property implications and are monitored by appropriate senior officers (including the CFO and Monitoring Officer).

Core principle/key element 5: developing the capacity and capability of members and officers to be effective

- An induction programme is in place for Officers and Members
- A Member training and development programme is in operation
- Deputy s151 and Monitoring Officers in place
- Officer training programmes are considered at each Staff Appraisal
- Focused training is delivered on specific issues (e.g. complaints, data protection)
- An ELT leadership development programme was commenced to enhance senior officer skills in this regard.
- A staff survey was carried out to gauge employee satisfaction and assist in improving the organisation for employees as a place to work and consequently improve how the organisation performs.

Core principle/key element 6: engaging with local people and other stakeholders to ensure robust public accountability

- *West Devon Our Plan* was considered by the Overview and Scrutiny (External) Committee in March 2016
- There is regular community engagement and participation both in general and for specific community groups and services provided, for example, Parish Councils
- Committee and Council meetings are open to the public, with papers available in advance on the internet (save where 'exempt' under the Local Government Act 1972 following formal evaluation of the public interest)

1. Process for maintaining and reviewing effectiveness of the Council's Governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior Managers, with the Executive Director informing the Hub Committee of any significant matters warranting their attention. The Council ensures the delivery of services in accordance with Council policies and budgets, which includes long term financial planning, good financial management and ensuring up to date risk management across the Council. The Overview and Scrutiny Committees (Internal) and (External) are responsible for performing a review function.

Internal Committee

The Overview and Scrutiny Committee (Internal) continues to review and scrutinise the Council's performance monitoring reports via the T18 programme against the Council's corporate strategy and quarterly performance indicator reports. The items considered within 2016/17 are below:-

- Budget Proposals 2017/18
- Medium Term Financial Strategy 2017/18 to 2021/22
- T18 Programme Monitoring/Update on Transformation Programme
- Performance Updates and Progress reports – e.g. Contact Centre, Development Management Service and Customer Services statistics
- Case Management Presentation
- Locality Model review
- Performance Measures Review
- Performance Management – Task and Finish Group Updates
- Performance Indicators
- Economy Working Group recommendations
- Transitional Resources Monitoring
- Overview of the Website Development
- Ombudsman Annual Review Letter 2016
- Task and Finish Group Updates – T18 Programme – Interim Review
- Planning Peer Challenge Review 2016/17
- Five Year Land Supply
- Member Development Steering Group –Progress Update

External Committee

The Overview and Scrutiny Committee (External) considers and focuses on the impact the Council and its partners are making on our customers and communities. Specific duties include scrutiny of external organisations, Crime and Disorder Overview & Scrutiny functions, monitoring of service contracts and Health & Wellbeing. The items considered in 2016/17 were:-

- Joint Local Plan Update
- Budget Proposals report 2017-2018
- Health and Wellbeing (Leisure) Procurement Update
- Community Safety Partnership
- Tavistock Townscape Heritage Initiative
- Annual Report
- New Homes Bonus Allocation to Dartmoor National Park Authority
- Tamar Trails Legacy
- Task and Finish Group Updates:
 - Devon and Cornwall Housing Review
 - Partnership Review

The following representatives also attended the Committee

- NHS England
- NHS New Devon Clinical Commissioning Group
- Police and Crime Commissioner
- Devon and Cornwall Housing

Audit Committee

The Audit Committee has a specific role in relation to the Council's financial affairs including the internal and external audit functions and monitors the internal workings of the Council (broadly defined as 'governance').

It is responsible for making sure that the Council operates in accordance with the law and laid down procedures and is accountable to the community for the spending of public money. The Audit Committee reviewed all

aspects of the Council's strategic performance and resource management arrangements, including budgeting, accounting and treasury management.

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectors.

Internal Audit

West Devon's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2011. This responsibility is delegated to the Community of Practice Finance lead and S151 Officer.

The Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the Senior Leadership Team who agree any recommendations. Members receive an annual report of internal audit activity and approve the annual audit plan for the forthcoming year.

The Internal Audit annual report for 2016/17 is also due to be considered by the Audit Committee on 22 June 2017.

The report contains the Head of Internal Audit's Opinion which is that "Based on the work performed during 2016/17 and that of their experience from the previous year's audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework. This view forms part of the Annual Governance Statement for 2016/17.

Senior Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis.

There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls.

This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations.

External auditors and other review agencies/inspectories

Our external auditors (KPMG) have issued their 'Audit progress' letter dated 9 June 2017 on the outcome of the planning and control evaluation phases of their audit. This was to ensure that, in line with good practice, that any significant matters are reported to those charged with governance in a timely manner. Their letter states their audit work has gone smoothly and that they have not identified any significant issues. However KPMG did identify one non-significant control deficiency. This related to the fact that the completion of monthly benefit payment checks by officers was not being documented so as to evidence their completion.

The key messages from KPMG's External Audit report for 2015/16 (presented to the Audit Committee on 27th September) were as follows:-

An unqualified audit opinion on the Accounts was issued by 30 September 2016. KPMG's audit of the Accounts did not identify any material misstatements to the Council's Accounts and they agreed a number of minor presentational and disclosure changes to the supporting notes to the Accounts.

No significant issues arose as a result of their work on the allocation of shared costs.

The KPMG report stated that the Council has good processes in place for the production of the accounts and good quality supporting working papers.

Value for Money (VFM) audit conclusion – KPMG concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. An unqualified VFM conclusion was issued by 30 September 2016.

Significant Governance Issues

The following action plan has been drawn up to address the weaknesses identified and ensure continuous improvement of systems or to deal with governance issues:

Issues and action plan from the Compliance Review of the Code of Corporate Governance

Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:

Issue Identified	Action to be Taken	Responsible Officer
<p>T18 Transformation Programme</p> <p>West Devon Borough Council and South Hams District Council have undertaken innovative plans to transform the way the Councils carry out their work, casting aside the traditional ways of local government. Long-established Council departments have been replaced by customer-focussed teams of officers who work out of the office and more within the community. The Councils have invested in the latest technology and the Councils' workforce is smaller, reducing the need for office accommodation, and all staff roles have changed.</p> <p>The introduction of a new IT system whilst at the same time the Council's workforce having been reduced by 30%, has meant that performance in some key areas has been below that which should be expected.</p> <p>On 7th June 2016 the Hub Committee considered a report on Transitional Resources. The Hub Committee recommended to Council to approve the use of £215,000 of unused New Homes Bonus funding, to fund the temporary transitional staffing resources set out in the report.</p>	<p>Monitoring reports on performance and transitional resources are presented to the Council's Overview and Scrutiny Committee (Internal).</p> <p>The T18 risk register is reviewed quarterly as a minimum by the Senior Leadership Team (SLT) and Programme Board, and is presented to the Audit Committee every six months. This will continue for the duration of the programme.</p> <p>The Council's Head of Paid Service and Group Manager have regular weekly meetings with the IT software supplier.</p> <p>Transitional Resources Report to Hub Committee (7th June 2016). Monitored by a group of officers – Transitional Improvement Board</p>	<p>Senior Leadership Team S.151 Officer Monitoring Officer Internal Audit Manager</p> <p>Timescale in line with the Programme.</p> <p>Audit Committee</p> <p>Transitional Improvement Board</p>

Issues and action plan from the System of Internal Control:

The system of internal control is described in section 2 above.

Issue Identified	Action to be Taken	Responsible Officer & Target Date
<p><i>Financial Uncertainty</i></p> <p>As Local Authorities experience reductions in funding, although West Devon Borough Council currently has a balanced budget, we must continue to review spending and monitor financial plans in order to balance future budgets in the face of the further government funding reductions.</p> <p>A Medium Term Financial Strategy (MTFS) was presented to the Hub Committee in September 2016 setting out the current position and was regularly updated throughout the 2017-18 Budget Setting process.</p> <p>There is still more to be done but the Council is establishing a solid base from which to become more commercial in its approach to meeting the forecast budget gap of £1 million in 2018/19, whilst protecting its much valued services.</p> <p>The next MTFS is due to be presented to Members in July 2017. The Council has commenced several initiatives that aim to help us to reduce our costs and meet the enormous challenge of a significant funding gap.</p>	<p>Other initiatives in progress include:</p> <ul style="list-style-type: none"> • Income generation initiatives • Commercial property investment strategy • Exploring the concept of creating one single Council with South Hams District Council to extend the current shared services partnership • Other initiatives being progressed through the Joint Steering Group with South Hams District Council • Business Rates Pilot • Strategic Asset Review 	<p>Senior Leadership Team S151 Officer On-Going</p> <p>Reports to Council at the end of July 2017</p>

Issue Identified	Action to be Taken	Responsible Officer and Target Date
<p>Joint Local Plan</p> <p>A key responsibility of the Council is to maintain an up to date development plan.</p> <p>The Joint Local Plan prepared in conjunction with South Hams and Plymouth Councils sets out a strategy and detailed policies that establish a framework to steer housing and employment development to the most sustainable locations and to guide decisions on planning applications.</p> <p>A Joint Member Steering Group is in place to ensure that key decisions needing to be made are taken back to the individual Local Authorities.</p>	<p>The Joint Local Plan will be the subject of an examination by the Planning Inspectorate in Autumn 2017 (following a public engagement event) with the intention to adopt in the year 2017/2018.</p>	<p>Executive Director (Strategy & Commissioning)</p> <p>Adopt in the year 2017/2018.</p>
<p>Internal and External Audit Reports</p> <p>Some issues have been identified in audit reports by the Council's shared in-house internal audit team and the Council's external auditor, KPMG.</p> <p>Individually the recommendations do not impact on the wider system of internal control, but action plans for remedial action have been agreed where appropriate.</p>	<p>All remedial actions detailed in external and internal audit reports will be completed in line with the agreed timescales. These actions will be monitored by the auditors' 'follow up' procedures.</p>	<p>Extended Leadership Team (ELT) S151 Officer Internal Audit Manager In line with agreed timescales</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

**Cllr P R Sanders
Leader of West Devon Borough Council**

Signed:

**Steve Jordan
Executive Director (Strategy and Commissioning)
and Head of Paid Service, on behalf of West Devon
Borough Council**

Date: To be inserted

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